FACT SHEET

ELAINE M. HOWLE
State Auditor

Date: **September 7, 2006** **Report:** **2005-108**

The California State Auditor released the following report today:

Department of Industrial Relations
Its Division of Apprenticeship Standards Inadequately Oversees Apprenticeship Programs

KEY FINDINGS

The Division of Apprenticeship Standards (division) suspended apprenticeship program (program) audits in 2004 and did not follow up on corrective action related to audits it had started. Until the division resumes its audits and ensures that the apprenticeship committees correct any weaknesses identified, it will have difficulty measuring the success of the programs and the quality of the training apprentices receive.

The division has not resolved apprentice complaints in a timely manner, taking over four years in some cases to investigate the facts of complaints.

The division has not adequately monitored the apprentice recruitment and selection process, making it nearly impossible to determine whether committees are adhering to equal opportunity requirements or to identify potential barriers to women and minorities.

Division field offices could improve their oversight of committees through improved attendance at committee meetings, establishing a formal process for tracking the resolution of issues or questions, and maintaining an up-to-date list of programs.

While the division's staffing levels have not increased in step with legal obligations, the division has failed to document priorities for meeting these obligations for existing staff, which would help maximize the use of existing staff and identify additional staffing needs.

The division does not adequately track and disseminate information to the Legislature, thus missing the opportunity to make it aware of programs and gain valuable feedback.

The department is slow to distribute apprenticeship training contribution funds. It has only distributed as grants $1.1 million of the roughly $15.1 million that had been deposited into the training fund by of June 30, 2005.

The division does not properly maintain its data on the status of apprentices. This data, if accurate, could be used to oversee programs.

BACKGROUND

Apprenticeship programs help prepare individuals for careers in the skilled crafts and trades by providing access to classroom instruction and on-the-job training. The division, under the Department of Industrial Relations, has primary responsibility for the oversight of programs. State law requires the division to foster, promote, and develop the welfare of the apprentice and industry; to improve the working conditions of apprentices and advance their opportunities for profitable employment; to ensure that selection procedures are impartially administered to all applicants for apprenticeship; and to cooperate in the development of programs and randomly audit them.

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California State Auditor

BUREAU OF STATE AUDITS

Department of Industrial Relations:

Its Division of Apprenticeship Standards Inadequately Oversees Apprenticeship Programs

September 2006
2005-108

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CALIFORNIA STATE AUDITOR

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September 7, 2006 2005-108

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the oversight of apprenticeship programs (programs) by the Department of Industrial Relations' Division of Apprenticeship Standards (division).

This report concludes that the division inadequately oversees programs. The division suspended program audits in 2004 and did not follow up on corrective action related to audits it started. Until the division resumes its audits and ensures that the apprenticeship committees correct any weaknesses in their programs, it will have difficulty measuring the success of the programs and the quality of the training apprentices receive. Additionally, the division has not resolved apprentice complaints in a timely manner, taking over four years in some cases to investigate the facts of complaints. The division has not adequately monitored the apprentice recruitment and selection process, making it nearly impossible to determine whether committees are adhering to equal opportunity requirements or to identify potential barriers to women and minorities. Finally, division field offices could improve their oversight of committees through improved attendance at committee meetings, a formal process for tracking the resolution of issues or questions, and maintaining an up-to-date list of programs. While the division's staffing levels have not increased in step with legal obligations, it has failed to document priorities for meeting these obligations for existing staff, which would help maximize the use of existing staff and identify additional staffing needs.

In addition to problems with oversight, the division does not adequately track and disseminate information to the Legislature, thus missing the opportunity to make it aware of programs and gain valuable feedback. Additionally, the department is slow to distribute apprenticeship training contribution funds. It has distributed as grants only $1.1 million of the roughly $15.1 million that had been deposited into the training fund by June 30, 2005. Finally, the division does not properly maintain its data on the status of apprentices. This data, if accurate, could be used to oversee programs.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE
State Auditor

CONTENTS

Summary 1

Introduction 7

Audit Results

The Division Suspended Program Audits in 2004 and Did Not Follow up on Corrective Action Related to Audits It Had Started 17

The Division Has Not Resolved Apprentice Complaints in a Timely Manner 18

The Division Has Not Adequately Monitored the Apprentice Recruitment and Selection Process 21

Division Field Offices Can Improve Their Oversight of the Committees 25

Although Staffing Levels Have Not Increased Commensurate With Its Legal Obligations, the Division Has Not Documented Priorities for Existing Staff 28

The Division Does Not Adequately Track and Disseminate Information to the Legislature as State Law Requires 31

The Department Is Slow to Distribute Apprenticeship Training Contribution Funds and Has Used More Funds for Division Operations Than for Grants 33

Information in the Division's Database Could Be Used to Oversee Programs, if Better Maintained 37

Recommendations 40

Appendix

The Division of Apprenticeship Standards Maintains Useful Information on Apprentice Status, but the Data Are Unreliable 43

Response to the Audit

Labor and Workforce Development Agency 55

SUMMARY

Audit Highlights . . .

Our review of the Department of Industrial Relations' Division of Apprenticeship Standards' (division) oversight of apprenticeship programs (programs) found that:

- ☑ *The division suspended program audits in 2004 and did not follow up on corrective action related to audits it had started.*
- ☑ *The division has not resolved apprentice complaints in a timely manner, taking over four years in some cases to investigate the facts of complaints.*
- ☑ *The division has not adequately monitored the apprentice recruitment and selection process. In particular, it has not conducted Cal Plan reviews since 1998.*
- ☑ *Division consultants did not consistently provide oversight through attendance at committee meetings.*
- ☑ *The division's staffing levels have not increased in step with legal obligations, and it has failed to document priorities for meeting these obligations for existing staff.*

continued on next page . . .

RESULTS IN BRIEF

Apprenticeship programs (programs) help prepare individuals for careers in the skilled crafts and trades by providing access to classroom instruction and on-the-job training. Classroom instruction gives apprentices an understanding of the theoretical aspects of their crafts or trades; on-the-job training affords them the opportunity to put into practice what they learn under the supervision of an experienced journeyman.[1] The Division of Apprenticeship Standards (division) under the Department of Industrial Relations (department) has primary responsibility for the oversight of programs. State law requires the division to foster, promote, and develop the welfare of the apprentice and industry; to improve the working conditions of apprentices and advance their opportunities for profitable employment; to ensure that selection procedures are impartially administered to all applicants for apprenticeship; and to cooperate in the development of programs and randomly audit them.

The division suspended program audits in 2004. Further, it did not follow up on corrective action related to audits it had started. Program audits are the means by which the division can ensure that the apprenticeship committees (committees), which sponsor the programs, are following their state-approved standards and also by which it can measure their success.[2] A comprehensive audit plan that subjects all programs to possible random audits, gives priority to auditing programs with known deficiencies, and targets programs with a high-risk profile would maximize the use of the division's limited audit resources. Until the division resumes its audits and ensures that the committees correct any weaknesses in their programs, it will have difficulty measuring the success of the programs and the quality of the training apprentices receive.

[1] Consistent with regulation and statute, we use the term *journeyman* to refer to a person, either male or female, who has completed an accredited apprenticeship or equivalent in his or her trade.

[2] Apprenticeship program sponsors—joint apprenticeship committees, unilateral labor or management committees, or individual employer programs—submit to the division an application for approval of their programs, along with proposed program standards and other relevant information. Because committees were the program sponsors for more than 97 percent of all active apprentices as of December 31, 2005, we refer to program sponsors as committees throughout the report.

- ☑ *The division did not report annually to the Legislature for calendar years 2003 through 2005, and the annual reports contain grossly inaccurate information about program completion.*
- ☑ *The department is slow to distribute apprenticeship training contribution funds. Only $1.1 million of the roughly $15.1 million that had been deposited into the training fund by June 30, 2005, has been distributed as grants.*
- ☑ *The division does not properly maintain its data on the status of apprentices.*

The division has not resolved apprentice complaints in a timely manner. Apprentices or other interested parties may file a complaint with the department director when they believe a decision, order, or action of a committee is unfair or unreasonable or that the committee has violated related apprenticeship codes, regulations, standards, agreements, or policies. Although there is no regulatory or statutory time limit for the division to investigate and resolve apprentice complaints, a time period of more than two years—and more than four years in some cases—to investigate the facts of a complaint seems excessive. Most of the complaints we reviewed that remained open in June 2006 related to allegations of unfair cancellation or suspension of an apprentice from a program. In these situations, a timely determination is critical because apprentices who are unfairly canceled are unable to become journeymen in their chosen field.

The division has not conducted adequate oversight of the committees' recruitment and apprentice selection procedures to ensure that they promote equality of opportunity in state-approved apprenticeship programs. State regulations require committees to submit their apprenticeship selection standards to the division for approval. Among other things, the standards must include provisions for determining the qualifications of apprentice applicants and must specify a fair and impartial means of selecting applicants through uniform procedures. State regulations require the State of California Plan for Equal Opportunity in Apprenticeship (Cal Plan) to be incorporated into the standards the division approves for the committees. However, the division exercises limited oversight over the implementation of the committees' selection procedures. Its chief stated that the division has not conducted systematic reviews of apprenticeship programs, also known as Cal Plan reviews, since 1998.

Consequently, the division cannot determine the extent to which committees comply with their Cal Plans. The division's failure to monitor the recruitment and selection processes makes it nearly impossible to determine whether committees are adhering to equal opportunity requirements or to identify potential barriers for women and minorities.

In addition, division field offices can improve their oversight of the committees. A key role of the division's consultants, each of whom advises and oversees an assigned group of committees, is to attend committee meetings, especially if an apprentice is to appear before the committee. Despite the stated importance of the consultants' attendance at committee meetings, our review of files at six field offices found that they did not consistently

attend these meetings. The field offices also lack a formal, centralized process for tracking the resolution of issues or questions that may arise at committee meetings or during the normal course of business, which may lead to inefficiencies. Further, although state regulations allow the division's chief to cancel programs that have had no active apprentices for two years, until recently the consultants had not consistently identified inactive programs. Maintaining an up-to-date list of apprenticeship programs is important because the division can use it to more evenly prioritize and distribute committees to its consultants, improving their ability to monitor and advise their committees.

Although the division's legal obligations have increased, its staffing levels have not increased commensurately, and the division has failed to document priorities that would help existing staff to meet these obligations. The division's chief indicated that a lack of staff prevents the division from completing its monitoring requirements. His priorities for 2006 are to focus on customer service and to improve the division's processes to enable staff to meet requirements in a timely and accurate manner; his priorities for 2007 are to focus on promotion and expansion of apprenticeship into trades not typically associated with apprenticeship, such as the health care field, and to ensure the quality of programs through consistent implementation of oversight activities. We agree that these priorities may help the division to better meet its legislative requirements, but it should also take the next step to document specific priorities and goals for its staff, both to maximize the use of existing staff and to identify additional staffing needs.

The division does not adequately track and disseminate information to the Legislature as mandated by state law. State law requires the division's chief and the California Apprenticeship Council (council) to report annually to the Legislature and the public on their activities. According to the chief, the division did not do so for calendar years 2003, 2004, and 2005, thus missing the opportunity to make the Legislature aware of the apprenticeship programs and gain valuable feedback on the direction of the programs. The annual reports that have been prepared also contain grossly inaccurate information about program completion, due to a programming error.

The department has been slow to distribute funds intended for apprenticeship training grants and has used more funds for division operations than for grants. These funds are collected from some contractors who employ apprentices on public

works projects. Although the department has been authorized to award $1.2 million in grants in each year of the last three fiscal years and state law required the department to begin distributing grants to programs from the apprenticeship training contribution fund (training fund) in 2003, it did not award its first grants until May 2006. Employer contributions to the training fund have increased significantly since the original authorization, and in fiscal year 2004–05, these contributions were four times greater than the allotted $1.2 million.

Although the department has distributed $1.1 million in grants, it has spent significantly more on division operations. As of June 30, 2005, about $15.1 million had been deposited into the training fund. During fiscal years 2001–02 through 2004–05, the division used a total of $4 million from this fund to pay for salaries, benefits, and other costs. Additionally, during fiscal years 2002–03 and 2003–04, a total of $2.8 million was transferred from the training fund to the State's General Fund. The department's expenditure projections for fiscal year 2006–07 call for the division to use $4.3 million of the projected $4.8 million it expects to receive. If it continues its approach of allotting only $1.2 million for grants, the remaining $3.1 million will be used for general division expenses. As a result of the department failing to revise its estimate, a smaller portion of the employer contributions than originally intended have been or will be used for training unless the department revises the amount to be distributed as grants.

If better maintained, the information on apprentices in the division's database could be used to manage the programs. However, the division does not have a standardized process for updating the database and for reconciling the apprentice data it contains with information maintained by the committees. As a result, data on the current status of apprentices are not reliable. Without accurate status data, the division cannot measure actual program performance, such as the rate at which apprentices cancel or complete their apprenticeships. It could use this information, if accurate, to set performance goals, pinpoint program successes and failures, and focus its monitoring efforts. In addition, it could examine such issues as why completion rates for women are lower than for men in certain occupations such as carpentry and why apprentices in trades such as firefighting have higher completion rates than others such as roofing.

RECOMMENDATIONS

To better manage the State's apprenticeship system, the division should do the following:

- Follow through on its planned resumption of audits, and ensure that recommendations are implemented and that audits are closed in a timely manner.

- Establish time frames for resolving complaints and develop a method for ensuring that complaints are resolved within these time frames.

- Conduct systematic audits and reviews of apprenticeship recruitment and selection to ensure compliance with Cal Plan requirements and state law.

- Ensure that it submits annual reports to the Legislature that are accurate, timely, and consistent with state law.

- Request increased budgetary authority as necessary to distribute apprenticeship training contribution fund money received each fiscal year first to the division for its estimated expenses to administer the grants program for the year the distribution is made and then as grants to applicable programs.

- Establish a process for regularly reconciling information on the current status of apprentices in the division's database with information maintained by committees.

AGENCY COMMENTS

The Labor and Workforce Development Agency, the Department of Industrial Relations, and the Division of Apprenticeship Standards accept and support the recommendations with the exception of some portions of those recommendations related to training contribution funds. ■

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INTRODUCTION

BACKGROUND

California has regulated apprenticeships since at least 1858, when the Legislature enacted a statute that offered apprentices a basic education. Congress passed the National Apprenticeship Act in 1937. As a result, California passed the Shelley-Maloney Apprentice Labor Standards Act in 1939, which created the regulatory framework that currently governs apprenticeship in the State. The Department of Industrial Relations (department) oversees this regulatory framework, but the apprenticeship programs (programs) are run by sponsors—joint apprenticeship committees formed through a collaboration of management and labor, unilateral labor or management committees, or individual employer programs. Because committees were the program sponsors for more than 97 percent of all active apprentices as of December 31, 2005, we will refer to program sponsors as committees throughout the report.

Programs help prepare individuals for careers in the skilled crafts and trades by providing access to classroom instruction and on-the-job training. Classroom instruction gives apprentices an understanding of the theoretical aspects of their crafts or trades; on-the-job training affords them the opportunity to put into practice what they learn under the supervision of an experienced journeyman.[3]

Programs cover a wide range of crafts and trades, from baking to firefighting to roofing, but most apprentices participate in programs related to the construction industry. Between January 1, 2001, and December 31, 2005, construction-related programs accounted for 75 percent of active apprentices. Programs do not cover all crafts and trades. Federal regulations define an occupation qualifying for apprenticeships as a skilled trade that is customarily learned in a practical way through a systematic program of on-the-job training commonly recognized throughout an industry, and which requires related instruction to supplement on-the-job training and involves manual, mechanical, or technical skills and knowledge requiring at least 2,000 hours of on-the-job work experience. State regulations use a similar definition. Program duration varies by trade, ranging

[3] Consistent with regulation and statute, we use the term journeyman to refer to a person, either male or female, who has completed an accredited apprenticeship or equivalent in his or her trade.

between one and six years. According to the department's data on apprentices active between January 1, 2001, and December 31, 2005, the average estimated length of time to complete a program was 3.1 years.

Programs can benefit both the apprentice and the employer. In addition to gaining marketable skills, apprentices earn wages that increase as their knowledge and skills increase. Apprentices receive free coursework but may be required to pay reasonable ancillary costs. One way employers benefit from the programs is the reduced need for expensive recruitment efforts. Employers in the building and construction industry also benefit from hiring apprentices for their public works projects. Specifically, if the employers on such projects use apprentices who are participating in approved programs, they pay them a prevailing per diem wage rate derived from the department's survey of wages paid on public works projects in the geographic area of the craft or trade. This wage rate is lower than the wage rate paid to journeymen.

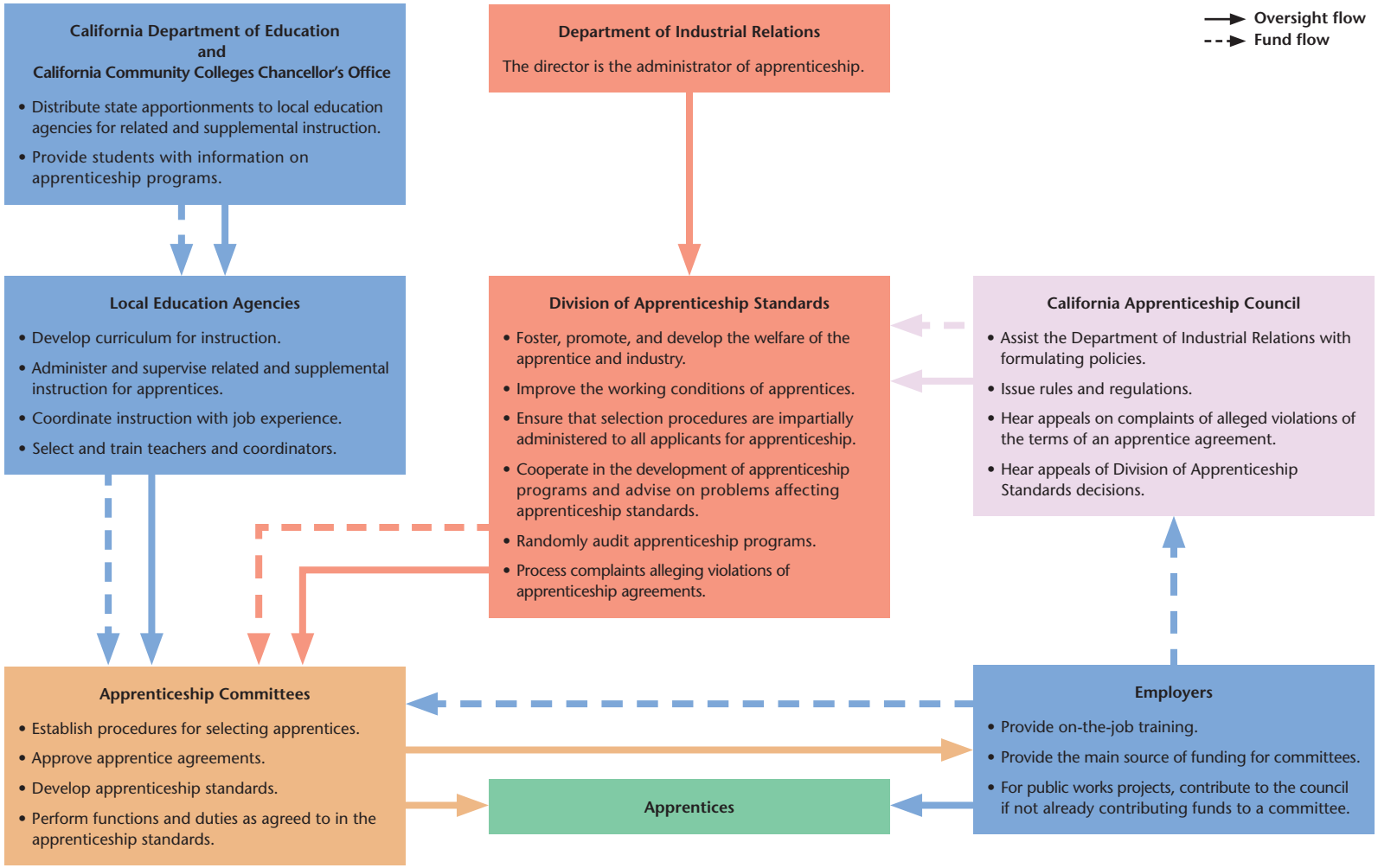
MANY ENTITIES PLAY A ROLE IN THE APPRENTICESHIP SYSTEM

The department's Division of Apprenticeship Standards (division) has primary responsibility for the oversight of programs. State law requires the division to foster, promote, and develop the welfare of the apprentice and industry; to improve the working conditions of apprentices and advance their opportunities for profitable employment; to ensure that selection procedures are impartially administered to all applicants for apprenticeship; and to cooperate in the development of programs and randomly audit them.

However, many other players are involved in the administration of the programs. They include the California Apprenticeship Council (council), the apprenticeship committees (committees), the California Department of Education (Education), the California Community Colleges Chancellor's Office (Chancellor's Office), and local education agencies such as secondary schools, regional occupational centers and programs, adult schools, and community colleges. Figure 1 shows the roles played by these entities and the flow of oversight and funds among them.

FIGURE 1

Roles Various Entities Play in the State's Apprenticeship System


California Department of Education
and
California Community Colleges Chancellor's Office
• Distribute state apportionments to local education agencies for related and supplemental instruction.
• Provide students with information on apprenticeship programs.
Department of Industrial Relations
The director is the administrator of apprenticeship.
Oversight flow
Fund flow
Local Education Agencies
• Develop curriculum for instruction.
• Administer and supervise related and supplemental instruction for apprentices.
• Coordinate instruction with job experience.
• Select and train teachers and coordinators.
Division of Apprenticeship Standards
• Foster, promote, and develop the welfare of the apprentice and industry.
• Improve the working conditions of apprentices.
• Ensure that selection procedures are impartially administered to all applicants for apprenticeship.
• Cooperate in the development of apprenticeship programs and advise on problems affecting apprenticeship standards.
• Randomly audit apprenticeship programs.
• Process complaints alleging violations of apprenticeship agreements.
California Apprenticeship Council
• Assist the Department of Industrial Relations with formulating policies.
• Issue rules and regulations.
• Hear appeals on complaints of alleged violations of the terms of an apprentice agreement.
• Hear appeals of Division of Apprenticeship Standards decisions.
Apprenticeship Committees
• Establish procedures for selecting apprentices.
• Approve apprentice agreements.
• Develop apprenticeship standards.
• Perform functions and duties as agreed to in the apprenticeship standards.
Apprentices
Employers
• Provide on-the-job training.
• Provide the main source of funding for committees.
• For public works projects, contribute to the council if not already contributing funds to a committee.

Sources: State laws and regulations and the Department of Industrial Relations' Web site.

State law established the council within the division and requires it to be made up of 14 members selected by the governor. Six are employers or from employer organizations that sponsor apprenticeship programs, six are from employee organizations that sponsor apprenticeship programs, and two are representatives from the public. The superintendent of public instruction, the chancellor of the community colleges, and the director of the department are also included. The council assists the director of the department in formulating policies for the effective administration of the regulatory framework for apprenticeships. It also issues rules and regulations that establish standards for minimum wages, maximum program hours, and working conditions for apprentice agreements, referred to as apprenticeship standards. However, the council cannot set standards lower than those in state law. For example, state law establishes a probationary period of not more than 1,000 hours of employment and 72 hours of related instruction. Finally, the council hears appeals of division decisions and rules on complaints from interested parties who allege a violation of the terms of an apprentice agreement.

Apprenticeship standards cover the terms and conditions for programs, including the following:

- Occupation and an outline of work process
- Qualifications of employers and apprentices
- Recruitment
- Selection
- Employment and training
- Working conditions
- Wages, benefits, and other compensation

Source: California Code of Regulations, Title 8, Chapter 2.

Committees submit to the division an application for approval of their programs, along with proposed program standards and other relevant information. The chief of the division is to decide whether to approve a program within 90 days after receiving the committee's completed application. As shown in Table 1, 541 committees had active apprentices as of December 31, 2005. Committees with fewer than five active apprentices accounted for 235, or 43.4 percent, of these committees, but they represent less than 1 percent of the roughly 68,000 active apprentices. In contrast, the 23 committees with more than 500 active apprentices each accounted for 50.4 percent of active apprentices. Committees are responsible for the day-to-day administration of programs. They must establish selection procedures that specify minimum requirements for formal education or equivalency; physical examinations, if any; subject matter of written tests and oral interviews; and any other criteria pertinent to the selection process. Committees must also approve apprenticeship agreements, adjust disputes, and perform such other functions and duties as agreed to in the apprenticeship standards.

TABLE 1

Distribution of Committees by Number of Active Apprentices as of December 31, 2005

Number of Active Apprentices in Each Committee	1–4	5–50	51–500	501–5,457	Totals
Number of apprenticeship committees*	235	125	158	23	**541**
Percentage of total committees each range of active apprentices makes up	43.4%	23.1	29.2	4.3	**100.0%**
Total number of active apprentices for each range†	425	2,497	30,865	34,312	**68,099**
Active apprentices for each range as a percentage of the total	0.6%	3.7	45.3	50.4	**100.0%**

Source: California apprenticeship system as maintained by the Division of Apprenticeship Standards of the Department of Industrial Relations.

* Single employers accounted for 220, 49, three, and one committees, respectively, in each range.

† Single employers accounted for 398, 509, 211, and 795 active apprentices, respectively, in each range.

Education and the Chancellor's Office are responsible by state law for making available to apprentices related and supplemental instruction. As provided through state and local boards responsible for vocational education, this involves the preparation of trade analyses and the development of curriculum for instruction, the administration and supervision of related and supplemental instruction for apprentices, the coordination of instruction with job experience, and the selection and training of teachers and coordinators for this instruction. Upon agreement with the committees, the boards cooperate with them to perform this function. Both Education and the Chancellor's Office administer programs offering vocational learning opportunities.

PROGRAMS AND STATE OVERSIGHT ARE PRIMARILY FUNDED THROUGH EMPLOYER CONTRIBUTIONS

Although the State spends roughly $35 million per year on programs, our sample of 10 committees indicated that employer contributions are the main funding source for committees. Most apprentices are trained under joint committees, which are formed through a collaboration of management and labor. The collective bargaining agreements that govern these joint committees specify that participating employers make

contributions generally ranging between $0.25 and $1.00 per hour for apprenticeship training. These contributions are deposited into trusts, in accordance with federal law, and fund apprentice training and education expenses as well as related administrative expenses of committees. Unilateral committees may also receive contributions from participating employers through payments the employers make to trusts. Financial information from nine of the 10 committees we visited indicated that employer contributions provided 81 percent to 98 percent of the committees' revenues. The tenth committee did not receive any employer contributions because, according to the program director, the local employers associated with the committee conduct the related and supplemental instruction for their apprentices.

State regulations require that contractors employing apprentices on public works projects, who are neither required nor wish to make apprenticeship training contributions to a local training trust, make contributions to the council. The department's Division of Labor Statistics and Research sets the required apprenticeship training contribution amount on public works projects as part of its determination of the general prevailing rate of per diem wages. This prevailing rate includes the basic hourly wage paid to the majority of workers, the rate for holiday and overtime work, and employer payments for benefits such as health and welfare and apprenticeship training.

In addition, Education and the Chancellor's Office receive appropriations from the State's General Fund to reimburse local education agencies for each hour of teaching time devoted to each apprentice in an approved program who is enrolled in and attending classes of related and supplemental instruction at a rate of $4.86 per hour. As Table 2 shows, reimbursements have totaled between $25 million and $29 million per year since fiscal year 2000–01.

TABLE 2

Expenditures Paid to Reimburse Apprentices' Related and Supplemental Instruction
Fiscal Years 2000–01 Through 2004–05
(In Thousands)

Funding Source	2000–01	2001–02	2002–03	2003–04	2004–05
California Community Colleges Chancellor's Office	$11,692	$12,191	$12,195	$12,729	$12,729
California Department of Education	13,906	15,350	15,850	15,851	16,386
Totals	**$25,598**	**$27,541**	**$28,045**	**$28,580**	**$29,115**

Sources: California Community Colleges Chancellor's Office and California Department of Education.

The funds the division receives to administer the apprenticeship program also come primarily from employers. Table 3 on the following page presents the division's apprenticeship program expenditures by funding source. A large funding source for the division is the employment training fund, which is financed by an assessment of 0.1 percent of wages from employers in the State of California. The employment training fund typically receives $70 million to $100 million annually, which it distributes to various entities, including employers and public and private training agencies, for use in employment training programs. For example, in fiscal year 2004–05, manufacturing firms received $33 million in employment training funds from completed training contracts. A small portion of the employer assessments is distributed to the division. As shown in Table 3, for fiscal years 2000–01 through 2004–05, the division received between $2.4 million and $3.2 million in employment training funds each year. Employers provide additional funding for the division through payments to the apprenticeship training contribution fund. As noted earlier, this fund is financed through contributions made to the council by some contractors that hire apprentices on public works projects. This money is then distributed to the division and committees. See the Audit Results for further discussion of distributions from the apprenticeship training contribution fund.

TABLE 3

Division of Apprenticeship Standards
Apprenticeship Program Expenditures by Funding Source
Fiscal Years 2000–01 Through 2004–05
(In Thousands)

Expenditures by Funding Source	2000–01	2001–02	2002–03	2003–04	2004–05
Governmental					
General Fund	$1,798	$2,130	$1,694	$1,683	$ 0
Federal Trust Fund	72	217	169	146	87
Subtotals, Governmental	**1,870**	**2,347**	**1,863**	**1,829**	**87**
Employer					
Employment Training Fund	3,129	3,230	3,137	2,930	2,423
Apprenticeship Training Contribution Fund	0	382	110	709	2,809
Subtotals, Employer	**3,129**	**3,612**	**3,247**	**3,639**	**5,232**
Totals	**$4,999**	**$5,959**	**$5,110**	**$5,468**	**$5,319**

Sources: Governor's Budget for fiscal years 2002–03 through 2006–07.

Note: Figures do not include amounts for the electrician certification program which the division also manages.

The federal government provides funding for the division through the federal trust fund, and prior to fiscal year 2004–05, the State did so through the General Fund. The General Fund is the principal operating fund for the majority of state governmental activities and consists of all money received into the Treasury that is not required by law to be credited to any other fund. The federal trust fund serves as a depository for all money received by the State from the federal government for which the expenditure is administered through or under the direction of any state agency. The division receives money from the federal government as reimbursement for salaries and travel expenses incurred by the State while performing Veterans Affairs–related activities. These activities include performing all duties necessary for the inspection, approval, and supervision of courses, programs, or tests pursued by veterans and other eligible persons. The division chief said that the division is about to undertake an in-depth analysis of the actual costs of facilitating Veterans Affairs-related duties as the funding has decreased over recent years and workload has increased. According to the chief, estimates suggest that the cost may be as high as $500,000.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits review the apprenticeship programs regulated by the division and the council. Specifically, the audit committee asked us to review and evaluate the laws and regulations significant to the programs and to identify the roles and responsibilities of the various agencies involved in them. It also asked us to determine the type of data collected by the division for oversight purposes and the extent to which it uses the data to measure the success of the programs and to evaluate the division's performance/accountability measures. In addition, the audit committee asked us to examine data for the last five fiscal years regarding the programs' application, acceptance, enrollment, dropout, and graduation rates, including the rates for female and minority students, and the programs' graduation timetables.

Further, the audit committee asked us to review the extent and adequacy of the division's efforts related to recruitment into state-approved programs, and to identify any potential barriers to student acceptance into the programs. The audit committee wanted to know whether the division's management and monitoring practices have complied with relevant statutory requirements and whether the division has taken action against programs that do not meet regulatory or statutory requirements. Finally, the audit committee asked us to review the program's funding structure to determine whether employer contributions to programs reasonably relate to the costs of providing training.

To review and evaluate the laws, rules, and regulations significant to programs and to determine the roles and responsibilities of the department, division, council, and applicable state educational agencies, we interviewed staff from the division, Education, and the Chancellor's Office. Additionally, we reviewed relevant state and federal laws and regulations and the division's policies and procedures manuals.

To determine the extent to which the division uses data to measure the success of the programs, we interviewed division staff and found that it does not use the data for this purpose.

Although we were asked to examine certain data from the last five fiscal years, the division's data did not lend itself to such an analysis. The division does not capture data regarding the application and acceptance of apprentices. In addition, although it collects data related to enrollment, dropout, graduation rates,

and graduation timetables, when we performed an analysis in accordance with the federal Government Accountability Office's standards, we found the data related to dropout and graduation rates to be unreliable. See the Audit Results for a further discussion of our testing methodology and of error rates. Because the data were unreliable, we could not use them to draw conclusions about dropout and graduation rates.

To review the extent and adequacy of the division's efforts related to student recruitment into state-approved programs and to identify any potential barriers to student acceptance into programs, we interviewed staff at the division and at education agencies to determine practices related to outreach and recruitment efforts and compared them to legal and regulatory requirements. In addition, we interviewed the staff of 10 judgmentally selected committees and reviewed documentation to identify the committees' recruitment efforts.

To evaluate the division's management and monitoring of programs, we interviewed its staff and reviewed the status of program audits it conducted. We also reviewed the division's handling of apprentice complaints. Finally, we reviewed the division's processes that would result in actions against programs that did not meet regulatory or statutory requirements.

To review the program's funding structure to determine whether employer contributions to the programs reasonably relate to the costs of providing training, we reviewed laws, case law, rules, and regulations, and interviewed department staff to gain an understanding of how federal law affects the authority of the department to regulate such costs. The department indicated that the overwhelming majority of employer contributions to apprenticeship training programs are a component of "employee benefit plans," which are regulated by the federal Employee Retirement Income Security Act (ERISA). ERISA preempts any state law that relates to employee benefits and as a result places constraints on the authority of the department to determine whether employer payments for apprenticeship training programs are reasonably related to the cost of training. The department believes that ERISA precludes the department from auditing ERISA apprenticeship plans to determine whether the contribution or funding level is reasonable in relation to the costs of providing training. As a result, we are also precluded from determining whether employer contributions to programs reasonably relate to the costs of providing training. ■

AUDIT RESULTS

THE DIVISION SUSPENDED PROGRAM AUDITS IN 2004 AND DID NOT FOLLOW UP ON CORRECTIVE ACTION RELATED TO AUDITS IT HAD STARTED

Although state law required it to begin randomly auditing approved apprenticeship programs (programs) during each five-year period beginning January 1, 2000, the Division of Apprenticeship Standards (division) did not complete the audits it started, and it stopped conducting audits in February 2004.

Program audits are the means by which the division can ensure that apprenticeship committees (committees) are following their state-approved standards and also can measure their success.[4] It randomly selects programs to audit, reviewing the committees' records and evaluating whether they are meeting the requirements shown in the text box. Upon completion of an audit, a division auditor sends the proposed report to the sponsoring committee for its review and comment. Once the division chief approves the final report, the division sends a timeline letter to the committee directing it to complete remedial actions within 90 days, and the division then sends the report to the California Apprenticeship Council (council). The audit can be closed when the division consultant for the committee has verified that the remedial actions are completed.

Division audits should focus on determining the following:

- If programs comply with their standards.
- If journeymen are performing all on-the-job training.
- If programs are providing all related and supplemental instruction required by the apprenticeship standards.
- If programs are covering all required work processes.
- If graduates complete the program's requirements.
- If apprentices are graduating on schedule or are dropping out.
- If graduates obtain employment as journeymen.

Source: California Labor Code, Section 3073.1.

Between 2000 and 2004, the division selected 125 programs to audit. After performing their preliminary review of the selected programs, its auditors determined that 47 were not eligible for audit for reasons such as inactivity. As of March 14, 2006, the division had actually commenced an audit of only 57 of the remaining 78 programs. According to its data, two audits are still in progress and 55 have been submitted (10 as long ago as April 2002) to the chief and are awaiting his approval.

[4] Apprenticeship program sponsors—joint apprenticeship committees, unilateral labor or management committees, or individual employer programs—submit to the division an application for approval of their programs, along with proposed program standards and other relevant information. Because committees were the program sponsors for more than 97 percent of all active apprentices as of December 31, 2005, we refer to program sponsors as committees throughout the report.

In February 2004, the division discontinued conducting audits, but it plans to resume them in October 2006.

In February 2004, the division discontinued conducting program audits. The division chief, appointed in 2006, said he was told that there had been insufficient staff to complete the audits due to a combination of staff vacancies and workload priorities such as registering apprentices. He stated he made a decision not to further pursue the original selections as well as audits in partial stages of completion since so much time had passed that the data would not be credible. The chief also said that he has directed staff to focus on closing inactive programs and reconciling active program records prior to the planned implementation of a revised audit program focused upon specific selection criteria, and that the division plans to resume audits consistently in October 2006.

State law requires the division to recommend remedial action to correct deficiencies found during its audits. It also specifies that a failure to correct deficiencies within a reasonable period of time shall be grounds for withdrawing state approval of a program. Until the division resumes its audits and ensures that the programs correct any weaknesses that are found, it will have difficulty measuring the success of the programs and the quality of the training apprentices receive.

In addition to subjecting all apprenticeship programs to possible audits from a random selection process once every five years, statutes direct the division to give priority to conducting audits of programs that have been identified as having deficiencies. Regulations define deficiencies as previously determined violations of laws, regulations, or program standards. However, the division does not have explicit statutory authority to audit programs with high risk factors such as division-identified low graduation rates, high dropout rates, or low employment rates. A comprehensive audit plan that subjects all programs to possible random audits, gives priority to auditing programs with known deficiencies, and targets programs with a high risk profile would maximize the use of the division's limited audit resources.

THE DIVISION HAS NOT RESOLVED APPRENTICE COMPLAINTS IN A TIMELY MANNER

State regulations require the director of the department to receive, investigate, and decide on complaints filed by apprentices. However, until recently the division did not consistently track these complaints. As a result, it did not review, investigate, and issue decisions in a timely fashion. It has now identified

complaints from as far back as 1993 that have been pending resolution. It has worked to close these cases, and the division chief stated that the division is currently working to ensure that it reviews and investigates apprentice complaints more quickly.

Apprentices or other interested parties may file a complaint with the department director when they believe that a decision, order, or action of a committee is unfair or unreasonable or that the committee has violated related apprenticeship codes, regulations, standards, agreements, or policies. The senior consultant who previously staffed the apprentice complaint desk stated that the division's process for handling complaints until June 2006 was first to review the complaint to ensure that it contained the necessary information and then to determine whether to investigate or dismiss it. If it found the complaint had merit, or if the complainant appealed a dismissal, the division would assign the complaint to one of its seven field offices, and the senior consultant at that field office would assign a consultant to investigate the complaint. The investigating consultant would provide a statement of fact and recommend a decision to the division chief, who, in conjunction with department legal counsel, would then issue a determination on behalf of the director. The complainant then had the option to appeal the decision to the council.

In the spring of 2006, the division administratively closed 29 complaint cases between seven and 13 years old.

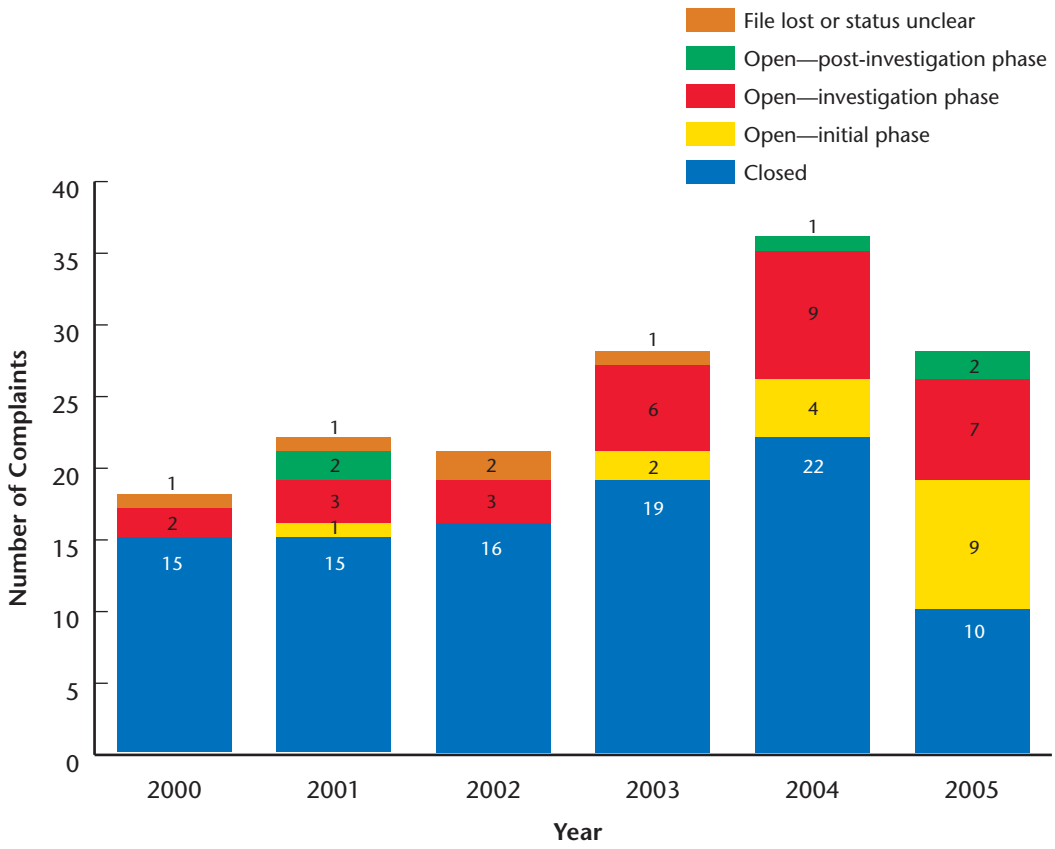
Although the division has maintained a log of complaints received since 2004, this log does not consistently track their progress. According to an area administrator, in the spring of 2006, the division created a work sheet to track complaints by reviewing all of its complaint files. In the process of creating the work sheet, it came across a number of old files that appeared to still be open. The area administrator stated that in the spring of 2006 the division chief and deputy chief administratively closed 29 cases that were between seven and 13 years old, as they determined that the cases were too old to reasonably continue pursuing. The area administrator stated that, for cases opened in or after calendar year 2000, staff have been working to formally close complaints as applicable—for example, by contacting the complainant to determine whether he or she is still interested in pursuing the complaint.

In reviewing the status of complaints filed during calendar years 2000 through 2005, we found that the division did not investigate them in a timely manner. Figure 2 on the following page shows the number of complaints filed by calendar year and their disposition as of June 13, 2006. Although there is no regulatory or statutory time limit for the division to investigate

and resolve apprentice complaints, a time period of more than two years—and more than four years in some cases—to investigate the facts of a complaint seems excessive. Most of the complaints we reviewed that remained open as of June 2006 related to allegations of unfair cancellation or suspension of an apprentice from a program. In these situations, a timely determination is critical because apprentices who are unfairly canceled are unable to become journeymen in their chosen field.

FIGURE 2

Status of Apprentice Complaints as of June 13, 2006



Source: Apprentice Complaint Log of the Division of Apprenticeship Standards of the Department of Industrial Relations.

In 2006, the division implemented two major changes aimed at assuring its timely resolution of apprentice complaints. The work sheet mentioned earlier, which tracks complaints from their receipt to resolution, includes a function that notes the due dates for the various stages of the complaint process, for example, when an investigative report should be completed

for a specific case. This system should help division staff to better determine the current stage of open files and when complaints should move to the next phase. Additionally, the division has taken steps to streamline the process it uses to handle complaints. After reviewing a complaint for completeness and ensuring that it meets basic criteria, the division will request supporting information from the respondent and complainant and forward the complaint to a hearing officer in the department's legal office. Thus, the division will no longer use its staff time to investigate complaints, helping to alleviate some of its resource limitations. The chief stated the division is still working with the department's legal division to establish time frames for holding and completing hearings, but he expects hearings to be scheduled as soon as the legal division receives the complaint.

The division will no longer use its staff time to investigate complaints, helping alleviate some of its resource limitations.

We agree that these two steps will improve the division's process for reviewing and resolving apprentice complaints, and the division should continue its work in this area. Given the time sensitivity of apprentice complaints, the division should further focus on establishing standardized time frames for all complaint resolutions, as well as a method to periodically ensure that the complaints are being resolved within the established time frames.

THE DIVISION HAS NOT ADEQUATELY MONITORED THE APPRENTICE RECRUITMENT AND SELECTION PROCESS

The division has not conducted adequate oversight of the committees' apprentice selection procedures to ensure that they promote equality of opportunity in state-approved apprenticeship programs. State regulations require committees to submit their apprenticeship standards to the division for approval. Among other things, the standards include provisions for determining the qualifications of apprentice applicants and uniform procedures for assuring the fair and impartial selection of applicants. State regulations require the State of California Plan for Equal Opportunity in Apprenticeship (Cal Plan) to be incorporated into the standards the division approves for each committee. Furthermore, the regulations require the division to regularly conduct systematic reviews of apprenticeship programs to determine the extent to which committees are complying with their Cal Plans. The division is also to conduct reviews when circumstances warrant, and to take appropriate action regarding committees that do not comply with their Cal Plans. Additionally, state law requires the division to audit all selection proceedings of apprentices or prospective apprentices and to ensure that the committees impartially administer their selection

procedures. Finally, state law requires the chief of the division to coordinate the exchange, by the council, the committees, the Fair Employment and Housing Commission, community organizations, and other interested persons, of information on available minorities and women who may serve as apprentices. The division has not met most of these requirements.

The division can approve a wide range of practices based on the Cal Plan's selection procedures (see the text box). The standards of nine of the 10 committees we reviewed incorporated alternative selection methods, which can vary greatly. For instance, one committee's method places applicants who are at least 18 years old on eligibility lists, which then allows them to seek employment with approved employers.[5] Another committee requires applicants to be at least 18 years old and ranks them according to their scores on an oral interview and their application date. The committee then directs applicants to local unions for employment in order of application date. A third committee has minimum age and educational requirements as well as test requirements. Applicants are placed on an accepted applicant list based on their test scores and referred to job openings in descending order from the list. The 10th committee we reviewed is subject to compliance with the State Personnel Board Affirmative Action Plan rather than the Cal Plan. Furthermore, its member employers follow the equal opportunity/affirmative action plans set up by their respective city, county, state, or federal jurisdiction. Because of the committees' varying selection methods, the division's fulfillment of its regulatory responsibilities is particularly important.

Cal Plan outlines four acceptable methods for selecting apprentices:

1. Selection on the basis of rank from a pool of eligible applicants.
2. Random selection from a pool of eligible applicants.
3. Selection from a pool of current employees.
4. Selection according to an alternative method.

Source: State of California Plan for Equal Opportunity in Apprenticeship.

However, the division exercises limited oversight over the implementation of the committees' selection procedures. Its chief stated that the division has not conducted systematic reviews of apprenticeship programs, also known as Cal Plan reviews, since 1998 due to insufficient staff. The chief also stated that staff do not audit or review selection proceedings for the same reason.

Consequently, the division cannot determine the extent to which committees comply with their Cal Plans. For example, of the nine committees we reviewed subject to Cal Plan, many stated that they have little to no control over the selection

[5] This selection method is sometimes referred to as the "hunting license" in the apprenticeship field.

process. For five committees the applicants' acceptance into apprenticeship programs is handled primarily by third-party organizations, which may be employers or local unions affiliated with the committee. For example, when applicants must seek employment with approved employers after they are placed on an eligibility list, the employers determine which apprentices the committee will accept into its program.

The reliance on third parties to handle the selection process means that committees may not be fully aware of the details of the process and may not oversee it adequately. For example, the coordinator for one committee stated that he did not know the specific method the unions affiliated with his committee use to match individuals with available employment. The reliance on third parties also allows for variation in the selection process. For example, one committee we reviewed is associated with two local unions, and each maintains lists for prospective apprentices. However, according to its representative, one local union starts a new list for prospective apprentices every week and does not allow employers to request apprentices with specific experience levels. The other local union, according to its business manager, does not start new lists weekly and allows employers to request apprentices with specific experience levels.

The reliance on third parties to handle the selection of apprentices means that committees may not be fully aware of the details of the process and may not oversee it adequately.

Additionally, committees may not maintain adequate records, such as their basis for selecting or rejecting each applicant, to demonstrate their compliance with the Cal Plan. The Cal Plan states that applicants who have been placed in an eligibility pool shall be retained on such a list for two years. When we asked two of the committees for their lists, they were unable to provide them. The standards for another committee indicate that applicants will be ranked chronologically according to the time and date of their application and that the applicants on the top of the list will be referred to an employer requesting an apprentice. However, our review of its January 2005 applicants found that the committee did not have documentation to support the basis for passing over 32 of the 43 applicants in favor of others who were lower on the list.

On the other hand, the standards of another committee require applicants to be listed on the new applicant referral list in numerical sequence in the order in which their application was received, but the standards also allow for several exceptions. The committee documented that between March 2004 and March 2006, all of the 702 applicants it accepted as apprentices were brought on through an exception process. It accepted

roughly 49 percent using the exception that allows employers to request a new applicant by name (name call exception) from the new applicant referral list based on a collective bargaining agreement, 31 percent using an exception that allows for the reinstatement of canceled or self-terminated apprentices, and the remainder using miscellaneous other exceptions.

One committee's data allowed us to compare applications and acceptances by ethnicity and gender, and suggested that its selection process may hinder minorities but help women.

The same committee's data allowed us to compare applications and acceptances by ethnicity and gender. The data for this committee suggest that its reliance on using exceptions may hinder minorities but help women. Roughly 42 percent of the white applicants were accepted into the program compared to 24 percent of the minority applicants. However, roughly 27 percent of the male applicants were accepted as opposed to nearly 40 percent of the female applicants.

The data also highlighted the different exceptions used to gain entrance into the apprenticeship program by ethnicity and gender. Of newly accepted applicants (not including those reinstated from a canceled or self-terminated status), 68 percent of the minority candidates and 80 percent of the white candidates entered under the name call exception. However, roughly 77 percent of the newly accepted women entered using an exception for pre-apprenticeship trainees, while 75 percent of the newly accepted men entered under the name call exception. According to its training director, the committee has been working on its pre-apprenticeship training programs and requires the programs to graduate at least one woman for every four men.

Furthermore, although Cal Plan requires committees to participate in a significant number of appropriate activities relating to outreach and recruitment and to keep adequate records for verification of compliance with this requirement, committees do not consistently maintain such documentation. All 10 of the committees we reviewed stated they participated in recruitment efforts. However, one committee was unable to provide any documentation of its recruitment efforts, and several others were able to provide only limited documentation. For example, one committee could furnish documentation of its attendance at only two career fairs. Additionally, three committees were unable to provide any documentation of recruitment efforts specifically targeted toward women or minorities. As a result, it is impossible to verify whether committees have undertaken a significant number of appropriate activities as required in the Cal Plan.

Finally, according to its chief deputy, the division has not fulfilled its responsibility for coordinating the exchange of information on available minorities and women who may serve as apprentices

The division has shifted its priorities to enable it to reinstate its Cal Plan reviews, the first of which it expects to complete by early September 2006.

among the council, the committees, the Fair Employment and Housing Commission, community organizations, and other interested persons. The chief stated that he plans to begin an aggressive outreach effort in 2007. Increasing coordination of information would help facilitate this process.

The division chief believes that Cal Plan reviews serve to focus on improvements that need to be made in the committees' equal opportunity efforts. As a result, the division has shifted its priorities to enable it to reinstate its Cal Plan reviews. According to the chief, in March 2006 it implemented a system for reviewing the Cal Plans for every committee with more than five apprentices once every three years. He anticipates completing the first cycle of reviews by early September 2006.

The division's failure to monitor the recruitment and selection processes makes it nearly impossible to determine whether committees are adhering to equal opportunity requirements or to identify potential barriers for women and minorities. Until the division consistently completes Cal Plan reviews, it will have a limited understanding of the state of affairs at the committee level.

DIVISION FIELD OFFICES CAN IMPROVE THEIR OVERSIGHT OF THE COMMITTEES

Nearly one-third of the division's 68 authorized positions are apprenticeship field office consultants and senior consultants whose responsibilities include overseeing the committees. However, both the need to balance oversight with their other responsibilities and a lack of documentation limit the effectiveness of their monitoring efforts.

Each committee is assigned to a consultant located at one of the division's seven field offices. Consultants have numerous responsibilities, as shown in the text box. The chief deputy is responsible for coordinating and overseeing their activities. He stated that a key role of consultants is to attend committee meetings, especially if an apprentice is to appear before the committee.

Despite the stated importance of the consultants' attendance at committee meetings, our review of files at six field offices found that consultants failed to consistently provide oversight through meeting attendance. For four of 10 committees we visited, the minutes maintained at the field offices responsible for these committees indicated the consultants had not attended any

Field office consultants' responsibilities include:

- Assisting in processing new apprentice agreements, amending existing agreements, and terminating agreements. Additionally, consultants process certificates of completion for those apprentices who satisfy the program requirements.
- Approving and canceling training establishments. In doing so, the consultant may visit the establishments.
- Conducting audits.
- Assisting in the development of new programs and standards.
- Assisting in the modification or cancellation of existing programs as well as the modification of program standards.
- Reviewing program standards to ensure they meet legal requirements and wage changes.
- Attending committee meetings to advise, consult, inform, and recommend actions relative to the administration of apprenticeship.
- Investigating and reporting on complaints regarding the apprenticeship program.
- Assisting in the development and revision of selection procedures, as well as reviewing and monitoring the selection process for compliance.
- Conducting Cal Plan reviews.
- Conducting Veterans Administration reviews and approving programs for the Veterans Administration.
- Responding to public inquiries, including requests for wage information related to public works projects.

Sources: Division of Apprenticeship Standards' operations manual and interviews with consultants conducted during spring 2006.

of the committees' meetings between January 2005 and April 2006. Several factors contributed to this lack of attendance. For example, from May 2004 through January 2006, consultants in the Los Angeles field office were directed to reduce a backlog of unprocessed trade certificates, new apprentice agreements, cancellations of agreements, and apprentice certifications.[6] Consultants we spoke with at other field offices mentioned factors such as turnover and the need to reduce travel expenses. The division estimates that it currently has 586 active committees being handled by a staff of 16 consultants—an average of about 37 committees per consultant.

The field offices also lack a formal, centralized process for tracking the resolution of issues or questions that may arise at committee meetings or during the normal course of business, which may lead to inefficiencies. The division chief said that these inefficiencies, among other things, contribute to excessive time periods for the approval of new programs or revisions to existing program standards and that there is some history to suggest that approval times have exceeded two years in some cases. The chief expressed a commitment to dramatically improving the program approval process and communication management in general.

The division chief recognizes the need for a formal centralized tracking system, and the division is in the process of developing a standard visit/communications log with which consultants can document their communications with the committees. The form is also being designed to capture information such as the last time the committee's standards were updated and a reconciliation of the number of active apprentices. The chief also stated that the division has purchased software that will enable senior consultants and division management to review the information and indicated that he expects to install the software by September 2006. Implementing this new central tracking system will give the division a standard means of accessing ongoing committee issues and will allow it to more evenly prioritize and distribute the consultants' workload.

[6] Registering apprentices in a timely manner is important because only registered apprentices may be paid an apprentice wage on public works projects.

A review of programs that had no active apprentices during the previous two-year period resulted in the cancellation of more than 800 programs in 2006.

Further, although state regulations allow the division chief to cancel programs that have had no active apprentices for two years, until recently the consultants have not consistently identified inactive programs. In February of 2006, the division's database listed 1,490 programs. According to the chief, he directed staff to review all programs that had no active apprentices during the previous two-year period. This review resulted in the cancellation of more than 800 programs, or 54 percent of them, as of July 1, 2006. Maintaining an up-to-date list of apprenticeship programs is important because it will help ensure that the division more evenly prioritizes and distributes committees to its consultants, improving their ability to monitor and service their committees.

Finally, the consultants do not consistently enforce regulations requiring self-review and improvement plans. State regulations require committees to annually prepare and submit a self-assessment review, as well as a program improvement plan, to the division chief. The self-assessment review must include an objective and critical appraisal of multiple aspects of the program, including its curriculum and instruction, use of competent and qualified personnel, and the program's accountability measures. The program improvement plans must address the committee's remedial priorities, program improvement objectives, resources needed, and timelines for the completion of the objectives. Three of the five senior consultants we interviewed indicated that they did not require committees to submit this information annually, and none of the field offices had these annual reports for any of our 10 selected committees for the period of January 1, 2001, through December 31, 2005. One of these consultants stated specifically that the reason for not requiring committees to submit these reports was staff limitations.

The chief stated that the division's management feels that these reports are a valuable tool to help ensure quality programs and will inform the committees that they must submit their current reviews and plans by December 31, 2006, and annually thereafter. Consultants will be responsible for reporting the committees' progress by mid-September and for following up with those that do not submit their reports by the deadline. By enforcing the submission of these reports, the division will be better able to measure the success of the apprenticeship programs.

ALTHOUGH STAFFING LEVELS HAVE NOT INCREASED COMMENSURATE WITH ITS LEGAL OBLIGATIONS, THE DIVISION HAS NOT DOCUMENTED PRIORITIES FOR EXISTING STAFF

The chief stated that budget and staffing reductions were taken as a de facto suspension of some mandates that could not be met.

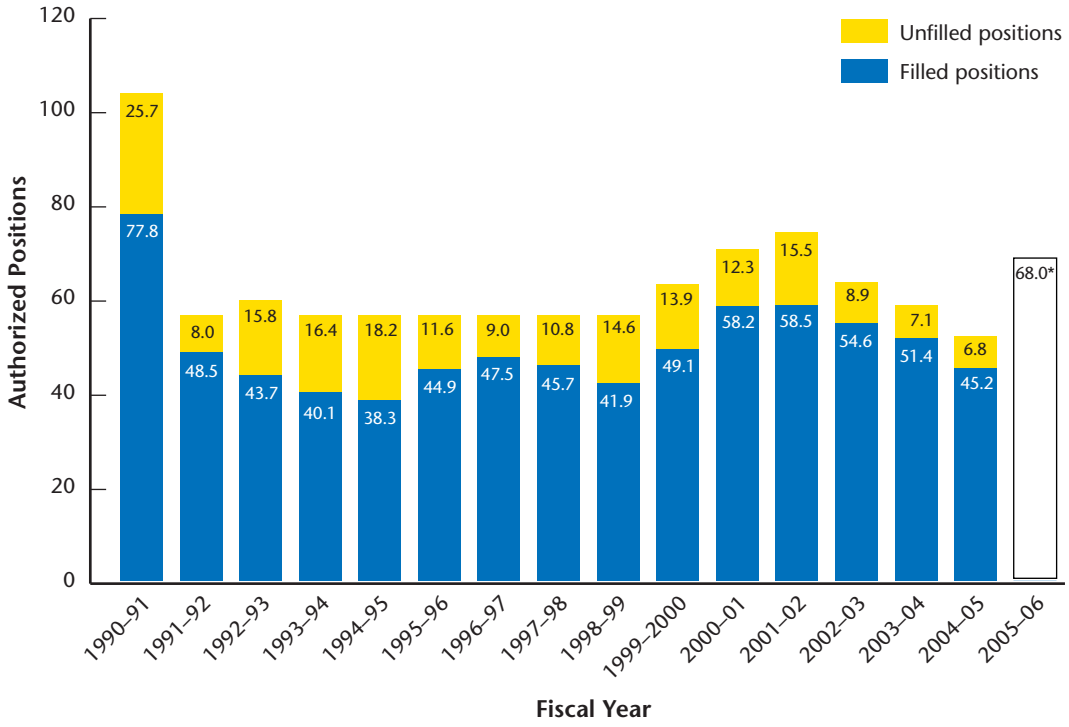
The division chief indicated that a lack of staff prevents the division from completing its monitoring requirements. From fiscal years 1999–2000 through 2001–02, its staffing levels increased, as did its legislated mandates. From fiscal year 2001–02 to fiscal year 2004–05, the division lost some of its authorized positions without a decrease in programmatic requirements. It has taken steps to address this issue, but it could benefit from establishing specific priorities and measurable goals to maximize its efforts. Its chief stated that the division's budget and staffing were decimated in the 1990s while workload activity increased significantly as apprenticeship counts, public works requirements, and the implementation of the electrician certification program grew dramatically. He further stated that although these duties remained on the books, budget and staffing reductions were taken as a de facto suspension of some mandates.

Our review of the division's authorized positions, shown in Figure 3, supports the division chief's statement regarding a decline in staffing. Following a 45 percent decrease in the number of authorized positions from fiscal years 1990–91 to 1991–92, the number of authorized positions remained between 55 and 60 until fiscal year 1999–2000. Between fiscal years 1998–99 and 2001–02, the division's authorized positions increased 31 percent, from 56.5 to 74 positions to assist with ongoing tasks, including addressing a backlog of public works complaints,[7] deploying consultants to committee meetings, and improving processing times for the approval and revision of program standards. Positions were also provided to support several new legislative mandates, including randomly auditing apprenticeship programs every five years, establishing and implementing an electrician certification program, and making grants to approved apprenticeship programs from employer contributions received by the council.

[7] The division is required to investigate and issue a determination on complaints filed by members of the public related to the use of apprentices on public works projects.

FIGURE 3

The Division's Authorized Positions
Fiscal Years 1990–91 to 2005–06



Sources: Governor's Budget Salaries and Wages Supplement for fiscal years 1991–92 through 2006–07.

* The Department of Industrial Relations had not developed information on the number of filled positions in fiscal year 2005–06 by the end of the audit.

After fiscal year 2001–02, however, the number of authorized positions declined while the division's functions did not. In fiscal year 2001–02, the division had 36 authorized consultant and senior consultant positions; in fiscal year 2004–05 it had only 27 consultant and senior consultant positions, a 25 percent decrease over three years. The number of authorized clerical staff positions dropped from 26 to 16 during this same time period. Overall, the division lost 22 positions from fiscal years 2001–02 to 2004–05, a 30 percent reduction. The department's budget officer stated that the number of authorized positions decreased because of budget reductions, the expiration of limited-term positions, and the loss of vacant positions. The budget officer further explained that in the case of departmental budget

reductions, the department director and division heads work together to submit the best plan possible to the agency secretary, who in turn approves the reduction plan.

During this same time period, the division did not experience a decrease in legislatively mandated requirements. In fact, according to the division chief's statistical reports to the council, the number of active apprentices increased 19 percent from June 2000 through June 2005, from 58,919 to 70,259.[8] Additionally, according to the accounting unit's unaudited data, the number of apprenticeship training contribution fund checks deposited by its clerical staff almost doubled from fiscal year 2003–04 to 2005–06, to a total of nearly 29,000 checks per year.

To further increase the challenge of meeting workload requirements, according to the division chief, the division was unable to fill any limited-term positions for the electrician certification program until spring 2006, and these vacancies created a tremendous workload that kept management and staff from fulfilling their other apprenticeship program responsibilities.

The division has taken some steps to help it meet its increasing responsibilities, given its staff limitations. It requested and received additional authorized positions for fiscal year 2005–06 and transferred the responsibility for investigating complaints to the department director's legal staff in July 2006. The division chief also stated the division has decreased its average time to process training fund contribution checks and created a new Web site that enables the public to search for information related to these contributions, which the chief expects to decrease the number of public records act requests the division receives in the public works area. The division has also streamlined the procedure for processing apprenticeship agreements, and it is testing a new system to file new apprentice agreements electronically. Additionally, the chief stated that the division expects to have software installed by September 2006 that will facilitate communication between consultants and division management related to program visits to committees by consultants.

The division is testing a new system to file new apprentice agreements electronically and expects to have software installed by September 2006 that will facilitate communication between consultants and division management.

The division chief stated that since his appointment in January 2006, the division has made a good-faith effort to meet the spirit and the letter of the law regarding audits. He also

[8] The division chief's statistical reports are based on data from the division's database. Because we found that the error rate of the status field in the database may be as high as 15 percent, we do not consider the information presented here to be reliable. We discuss this issue in more detail later in the report.

stated that he has created priorities for the division for the next two years. In 2006 his priority is to focus on customer service and to improve the division's processes to enable staff to meet requirements in a timely and accurate manner; his priorities for 2007 are to focus on the promotion and expansion of apprenticeship into trades not typically associated with apprenticeship, such as the health care field, and to ensure the quality of programs through consistent implementation of oversight activities.

We agree that these priorities may help the division to better meet its legislative requirements, but it should also take the next step to document specific priorities and goals for its staff, both to maximize the use of existing staff and to identify additional staffing needs.

THE DIVISION DOES NOT ADEQUATELY TRACK AND DISSEMINATE INFORMATION TO THE LEGISLATURE AS STATE LAW REQUIRES

Annual reports to the Legislature include the following required elements:

- Number of individuals registered as apprentices, including number of women and minorities.
- Number and percentage of apprentices registered in each program having five or more apprentices and the percentage of those who completed their programs successfully in the current year and in each of the previous five years, including minorities and women.
- Remedial actions taken to assist programs having difficulty reaching their affirmative action goals or those with very low completion rates.
- Number of disputes involving apprentice agreements submitted to the division for determination and number of these disputes resolved by the council on appeal.
- Number of program applications received by the division, number approved, number denied and the reason for these denials, and number being reviewed and deficiencies, if any.
- Number of programs approved by the division but disapproved by the council and the reasons for those disapprovals.

Source: California Labor Code, Section 3073.5.

State law requires the division's chief and the council to report annually to the Legislature and the public on their activities. According to the chief, the division did not do so for calendar years 2003, 2004, or 2005, thus missing the opportunity to make the Legislature aware of the apprenticeship programs and gain valuable feedback on the direction of the programs.

The division's deputy chief stated that the annual reports have not been submitted for various reasons, such as administrative errors and lack of sufficient time to complete them. As of June 2006, a copy of the 2004 report, which covers multiple years, was available on the division's Web site. However, neither this report nor the 2001 and 2002 reports contain all of the required information, as shown in the text box. For example, as previously discussed, the division has not conducted Cal Plan reviews since 1998 due to insufficient staff. Additionally, according to the deputy chief, it does not actively review and analyze apprentices' completion rates to measure program success. Therefore, the division reported no remedial actions resulting from its monitoring activities.

For 2001 through 2004, the annual report claimed between 69 percent and 122 percent more program completions than those listed in the database.

The annual reports also contain grossly inaccurate information about program completion. The 2004 report includes a significantly higher number of apprentices who had completed their programs during calendar years 2001 through 2004 than can be corroborated. For example, for committees with five or more apprentices, the 2004 report shows 18,652 completions, 107 percent more than the 8,995 completions included in the division's database. For 2001, 2002, and 2003, the report claims 69 percent, 122 percent more, and 100 percent more completions, respectively, than those listed in the database. After we brought this problem to the division's attention, it discovered a programming error that included in its completion totals apprentices who had dropped out. According to the deputy chief, the programming error affected legislative reports as far back as 1997.

In addition, some of the division's data are questionable. We address this more completely in the last section of this report. Although the 2001, 2002, and 2004 reports all include the number of program applications received and approved by the division, it could not furnish support for the numbers it reported. Further, because staff in the field offices enter into the database only the finalized proposed applications resulting from negotiations with the committees, it is difficult to ascertain the number of applications denied or being reviewed. None of the reports include required information about the number of programs approved by the division but disapproved by the council. By reviewing council meeting minutes, we found that the council reversed the division's approval of two new programs in 2001 and one new program in 2004.

Tracking and providing the required information could help the division improve its program. Analyzing the committees' statistics on apprenticeship selection and completion rates by gender and ethnicity would help the division assure that all applicants and apprentices are treated fairly and that committees take corrective action as needed. Tracking the progress of possible new programs from the point at which program sponsors first show interest could help the division identify problems field offices have in processing new program applications and better assess its success in fostering new programs. Additionally, understanding the potential barriers to new programs through the division- and council-level approval process could help the division provide better support to applicants who are developing new programs.

The division chief acknowledged that the reports to the Legislature do not meet statutory requirements. He stated that the division will create a report covering calendar years 2003 through 2005 that will meet all of the state law requirements and will deliver this report to the Legislature by September 2006. He also stated that the division will create a master calendar that includes the submission of an annual report to the Legislature in July of each year.

The division chief acknowledged that the reports to the Legislature do not meet statutory requirements, but stated that the division will create one that does and will deliver it to the Legislature by September 2006.

Although submitting annual reports does not affect the division's oversight of apprenticeship programs, it provides a means for the division to provide information related to apprenticeship to the Legislature. These reports provide an opportunity for the division to promote apprenticeship, and they also provide a measure of accountability from the division to the Legislature, as it requires reporting on several of the division's activities. Finally, these reports provide an opportunity for the Legislature to review the success of individual programs and apprenticeship programs as a whole in providing a diverse, skilled, and experienced workforce for California.

THE DEPARTMENT IS SLOW TO DISTRIBUTE APPRENTICESHIP TRAINING CONTRIBUTION FUNDS AND HAS USED MORE FUNDS FOR DIVISION OPERATIONS THAN FOR GRANTS

Although state law mandated the department to begin distributing grants to programs from the apprenticeship training contribution fund (training fund) in 2003, it did not distribute its first grants until May 2006. The department's failure to revise the amount estimated to be available for grants has negatively impacted the legislative goal of funding apprenticeship programs. As a result of the department failing to revise its estimate, a smaller portion of the employer contributions than originally intended have been or will be used for training unless the department revises the amount to be distributed as grants.

State law requires contractors on public works projects of more than $1,000 to pay all workers at least the general prevailing rate of per diem wages for similar work in the area where the public work is performed. This rate includes employer payments for apprenticeship or other training programs. If contractors employ journeymen or apprentices in any trade and are not contributing to a committee, they must contribute the amount instead to the council, which is required by law to deposit the contributions in the training fund. Effective January 1, 2001, state law requires the

department[9] to distribute these contributions, less the division's cost of administering the program, in the form of grants, to approved multiemployer apprenticeship programs serving the same trade and geographic area from which the contributions came. The law was amended to authorize use of the money for expenses of the division. Specifically, the law states that any contributions not distributed in this way (for example, if no such apprenticeship programs exist in that area) may be used to defray the division's future expenses. The department's legal counsel states that this reflects a legislative intent to give division expenses a similar funding priority to grants. As a practical matter, the issue of what purposes these funds are spent on is revisited in the annual budget process when the division seeks authority to spend requested amounts for grants and for division expenses. The law was also amended to require the council to begin distributing grants at the conclusion of fiscal year 2002–03 and each fiscal year thereafter.

California Labor Code, Section 1777.5 (m) states:

> 2) At the conclusion of the 2002–03 fiscal year and each fiscal year thereafter, the California Apprenticeship Council shall distribute training contributions received by the council under this subdivision, less the expenses of the Division of Apprenticeship Standards for administering this subdivision, by making grants to approved apprenticeship programs for the purpose of training apprentices. The funds shall be distributed as follows:
>
> (A) If there is an approved multiemployer apprenticeship program serving the same craft or trade and geographic area for which the training contributions were made to the council, a grant to that program shall be made.
>
> (B) If there are two or more approved multiemployer apprenticeship programs serving the same craft or trade and geographic area for which the training contributions were made to the council, the grant shall be divided among those programs based on the number of apprentices registered in each program.
>
> (C) All training contributions not distributed under subparagraphs (A) and (B) shall be used to defray the future expenses of the Division of Apprenticeship Standards.

[9] The department distributes contributions for the council based on the division's calculations.

(3) All training contributions received pursuant to this subdivision shall be deposited in the Apprenticeship Training Contribution Fund, which is hereby created in the State Treasury. Notwithstanding Section 13340 of the Government Code, all money in the Apprenticeship Training Contribution Fund is hereby continuously appropriated for the purpose of carrying out this subdivision and to pay the expenses of the Division of Apprenticeship Standards.

The department did not begin distributing grants to committees until May 2006[10] even though it had authority to spend $1.2 million on grants in each of the last three fiscal years. Its budget officer attributes part of this delay to a lack of regulatory authority. The council did not provide the draft regulations outlining how to calculate grant amounts to the Office of Administrative Law until January 2005 and they were not finalized until May 2005.

As of June 30, 2005, about $15.1 million had been deposited into the training fund, but the department limited its distribution of grants to $1.1 million.

As of June 30, 2005, about $15.1 million had been deposited into the training fund. During fiscal years 2001–02 through 2004–05, the division used $4 million from this fund to pay for salaries, benefits and other costs. Additionally, during fiscal years 2002–03 and 2003–04, a total of $2.8 million was transferred from the training fund to the State's General Fund. Consequently, the June 30, 2005, fund balance was $8.3 million.

According to claim schedules provided by the department, the department distributed grants of $1.1 million in May and June 2006. Although contributions to the training fund in fiscal year 2004–05 were four times greater than the $1.2 million allotted for grant distributions, the department has not requested the authority to spend more of the employer contributions as grants. The division's chief said that the division did not request increased authority for grants because the division did not know enough about the first distribution to be able to make any recommendations on the second. However, the division expects to have information to derive a reasonable recommendation for a larger distribution in fiscal year 2007–08.

According to the department's expenditure projections, in fiscal year 2006–07 the division plans to use $4.3 million of the projected $4.8 million it expects to receive. If it continues its approach of only allotting $1.2 million for grants, the remaining $3.1 million will be used for general division expenses. The department's legal counsel stated that the department believes its use of the funds meets legislative requirements. He further stated the law was written when

[10] The department distributes these funds on behalf of the council.

General Fund money supported the division, and the training fund's major purpose was to make grants available to the apprenticeship programs. According to the department's legal counsel, from fiscal year 2000–01 to 2003–04, the division lost 25 percent of its positions including two senior apprenticeship consultants, five apprenticeship consultants, and 8.5 clerical staff in the district offices due to General Fund budget cuts. In fiscal year 2003–04, the General Fund was completely eliminated and the apprenticeship training contribution fund, with Legislative approval, was added as a funding source to provide some stability to that program. He added that faced with a 3 percent reduction of General Fund money in fiscal year 2004–05, the Labor and Workforce Development Agency and the department determined that using the training contributions to offset the reduction was a viable option and would not impact the division's ability to fund grants.

However, the department's use of employer contributions has significantly impacted the division's ability to fund grants because less cash is now available to support increases in grant spending authority and subsequent grant distributions. The Assembly Floor Analysis of the initial legislation reflects a legislative intent to fund grants to apprenticeship training programs. It states:

> This bill requires the California Apprenticeship Council (Council) to distribute apprenticeship training contributions received from construction contractors, less certain specified expenses, as grants to approved multi-employer apprenticeship programs to the same craft or trade and geographic area from which the contributions were received by the Council.

In an October 2000 budget change proposal, the department estimated the cost to administer the grant program at less than $100,000. The budget change proposal is also clear that the division "is authorized to use a portion of the funds to defray the expenses of collecting the funds and administering the training contribution program." However, according to the budget officer, the department is not tracking the cost of administering the grants program. Assuming that the $100,000 estimated cost of administering the grants was reasonably accurate, if the division had implemented the program as described in the budget change proposal, through fiscal year 2005–06, the division could have distributed about $12 million in grants,[11] rather than the

[11] This amount reflects $15.1 million in contributions less $2.4 million transferred to the General Fund and $100,000 in annual costs for six years to administer the program.

$1.1 million that it did distribute. Clearly, the use of $4 million primarily for general division expenses prior to the distribution of grants adversely affects the division's ability to fund grants to committees because less cash is available to support increases in spending authority for grants and subsequent grant distributions.

INFORMATION IN THE DIVISION'S DATABASE COULD BE USED TO OVERSEE PROGRAMS, IF BETTER MAINTAINED

Because the division does not properly maintain its data on the status of apprentices, it cannot determine actual program performance, such as the rate at which apprentices cancel or complete their apprenticeships. It could use this information, if accurate, to set performance goals, pinpoint program successes and failures, and focus its monitoring efforts.

Field office staff are responsible for updating and verifying the information entered in the database; however, according to a few of the consultants, staffing limitations prevent them from performing this function on a regular basis. Thus, the division's deputy chief, on a case-by-case basis, sends committees an electronic listing of active apprentices in their programs and asks them to update the information, which he then uses to update the division's database. A standardized process for updating the database on a regular basis could help increase the accuracy of the information it contains. Further, the division would be able to use the database to measure program performance. For example, it could use the information to examine why completion rates for women are lower than for men in certain occupations such as carpentry and why apprentices in trades such as firefighting have higher completion rates than others such as roofing.

Our analysis indicated a 16.6 percent overall discrepancy between the division's database and program information from 10 selected committees.

Our review found that the division's information on the current status of apprentices is unreliable. To conduct the review, we judgmentally selected 10 programs. We compared the total number of active apprentices each of the 10 committees listed as of December 31, 2005, to the division's database. Our analysis indicated a 16.6 percent discrepancy between the database and program information overall. The discrepancies for the various committees ranged from 1 percent to 66.9 percent. In addition, we selected 10 active files from each committee's files and traced them to the database as a test of whether the database contains information on all apprentices. All of these apprentices were included in the database.

Finally, we tested the division's data for 90 apprentices who had been noted as active participants in the programs anytime during the period of January 1, 2001, to December 31, 2005. We broke the sample into two groups. The first group consisted of a random sample of 29 apprentices from a population of 4,305 the database listed as active on December 31, 2005, but who were expected to complete their apprenticeship prior to December 31, 2001. Because the 29 apprentices should have completed their programs so long ago, we believed their status was in error, so we focused our test for this group on the apprentices' status. In fact, our testing showed that 27 out of the 29 apprentices were not active. At a 95 percent level of confidence, the result of our random sample indicates that at least 78 percent of this population, or 3,358 of the apprentices listed as active in the division's database, were not active as of December 31, 2005.

The second group consisted of a random sample of 61 from the roughly 170,000 remaining apprentices that had been noted as active sometime during our audit period. We verified each apprentice's social security number, first and last name, gender, ethnicity, agreement start and estimated completion dates, and current status code (canceled, completed, or active) as of December 31, 2005. Our testing indicated that the database is accurate for all fields except the apprentices' current status, which is essential for determining program performance. We found errors for four of the 61 apprentices. At a 95 percent confidence level, this result indicates that the error rate may be as high as 15 percent. Consequently, using the division's current status information as the basis for determining apprentices' cancellation and completion rates would probably lead to incorrect conclusions about program performance. See the Appendix for a further discussion of information derived from the division's database.

Our testing indicated that the division's database is not accurate with regard to apprentices' current status.

The division chief and deputy chief acknowledge the value and importance of having accurate data. They say that, except for the database error found on the annual reports, the data in the division's files fairly accurately reflect the data received from the programs. They cite a long history of inconsistent reporting by the committees of apprentices who leave programs. For the short-term, the division chief says staff have been directed to work directly with the programs to synchronize apprenticeship records and to instruct committees to accurately and timely report apprentices who leave their programs. The division chief

and deputy chief believe that the implementation of electronic data interchange technology for the larger programs will ensure ongoing accuracy.

The accuracy of the data is also important for gauging whether committees are following Cal Plan policies and procedures to promote equal opportunity in state-approved apprenticeship programs. The Cal Plan's goal for minority apprentices in a program is generally the proportion of minorities in the population of the counties served by a program's committee. For women the Cal Plan goal is 50 percent of the proportion of the women in the workforce in the committee's labor market. According to the 2004 United States Census Bureau Report for California, women make up 44 percent of the State's workforce. Therefore, female participation in apprenticeship programs would be targeted at 22 percent for the State as a whole. Minorities represent 54 percent of the California population according to the 2004 census report. The division has developed a report for comparing the Cal Plan goals to the percentage of women and minorities taken into a program during a given period and to the percentage of active female and minority apprentices in a program at the end of that period to determine whether the committees are meeting established Cal Plan goals.

As noted earlier, the division's data were reliable for fields such as agreement start dates and apprentice gender and ethnicity, fields that are useful for determining intake figures. Our data reliability tests, however, indicate that the division's data on current apprentice status, which would be useful for analyzing active apprenticeships, are unreliable. We therefore analyzed only intake figures. As Table A.1 in the Appendix indicates, the percentage of minorities entering apprenticeship programs between 2001 and 2005 was 61.1 percent according to the division's database, significantly above the 54 percent goal. However, the overall statistic masks significant variations among various trades. During the five calendar years ending in 2005, roofing programs had the highest minority intake rate, at 92.8 percent, while firefighter programs had the lowest minority intake rate, at 30.2 percent. Of the 23 occupation categories listed, 14 exceeded the target for minority participation.

The percentage of minorities entering apprenticeship programs between 2001 and 2005 was 61.1 percent, significantly above the 54 percent goal.

The division's data show that female intake rates for the State's apprenticeship programs rarely met the Cal Plan goal of 22 percent. Table A.1 in the Appendix shows that the female intake rate for all programs during the five calendar years ending in 2005 was only 6.1 percent. Again, numbers vary among the

various trades. The barbering and cosmetology programs had the highest female intake rate, at 70 percent, while only 0.6 percent of entrants to carpet, linoleum, and soft tile programs were women. Of the 23 trades, 21 did not meet the 22 percent intake goal, and 10 of these trades had female intake rates below 2 percent.

The division's data also show that female intake rates have dropped steadily over the five years, from 8.8 percent in 2001 to 4.5 percent in 2005. The higher rate in 2001 was in part due to a court order that required certain carpentry programs to meet goals for female intake. The United States District Court for the Northern District of California closed the file and terminated all pending motions related to the court order in 2002. As the table shows, the female intake rate for carpentry in 2001 was 18.2 percent, and it fell to 3.1 percent in 2005.

RECOMMENDATIONS

To effectively implement program audits and follow up on corrective action related to audits, the division should do the following:

- Follow through on its planned resumption of audits of programs, and ensure that recommendations are implemented and that audits are closed in a timely manner.

- Request that the Legislature amend auditing requirements to allow it to select programs for audit using a risk-based approach.

To resolve apprentice complaints in a timely manner, the division should do the following:

- Work with the department's legal division to establish time frames for resolving complaints and develop a method for ensuring that complaints are resolved within these time frames.

To monitor the apprentice recruitment and selection process, the division should do the following:

- Conduct systematic audits and reviews of apprenticeship recruitment and selection to ensure compliance with Cal Plan requirements and state law.

- Require committees and their associated third-party organizations to maintain documentation of their recruitment and selection processes for a time period consistent with Cal Plan requirements.

- Develop a process for coordinating the exchange of information on available minority and female apprentices with those entities detailed in state law.

To improve field office oversight of the committees, the division should do the following:

- Require its consultants to enforce regulations that call for committees to submit annual self-assessment reviews and program improvement plans.

To meet increased legal obligations by identifying priorities for its staff, the division should do the following:

- Document specific priorities and goals for its staff both to maximize the use of existing staff and to identify additional staffing needs.

To better track and disseminate information to the Legislature as state law requires, the division should do the following:

- Ensure that it submits annual reports to the Legislature that are accurate, timely, and consistent with state law.

To facilitate distribution of apprenticeship training contribution funds as grants, the division should do the following:

- Request increased budgetary authority as necessary to distribute apprenticeship training contribution fund money received each fiscal year first to the division for its estimated expenses to administer the grants program for the year the distribution is made and then as grants to applicable programs.

- Request increased budgetary authority as necessary to distribute the fund balance as grants to applicable programs.

- If the department believes that amounts collected from employers for deposit into the fund should be used to fund division expenses at the same priority level as grants to apprenticeship programs, the department should seek statutory changes that clearly reflect that employers are also funding general expenses.

To better maintain its database and use it to oversee programs, the division should do the following:

- Establish a process for regularly reconciling information on the current status of apprentices with information maintained by committees.

- Use data to set performance goals and to pinpoint program successes and failures.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

ELAINE M. HOWLE
State Auditor

Date: September 7, 2006

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APPENDIX

The Division of Apprenticeship Standards Maintains Useful Information on Apprentice Status, but the Data Are Unreliable

The Joint Legislative Audit Committee (audit committee) directed the Bureau of State Audits to report on data regarding the application, acceptance, enrollment, dropout rate, graduation rate, and graduation timetables for state-approved apprenticeship programs, including rates for female and minority students participating in the state-approved apprenticeship programs. However, data from the Division of Apprenticeship Standards (division) in the Department of Industrial Relations did not lend themselves to such an analysis. Specifically, we could not examine data regarding the application and acceptance of apprentices because the division does not capture such information. It does collect data related to enrollment, dropout rate, graduation rate, and graduation timetables; however, its data related to the current status of apprentices are unreliable.

To examine the division's apprenticeship information, we obtained and analyzed data it collects regarding agreements entered into between apprentices and program sponsors (these include joint apprenticeship committees, unilateral labor or management committees, and individual employer programs). Because committees were the program sponsors for more than 97 percent of all active apprentices as of December 31, 2005, we refer to program sponsors as committees. These data include agreement start dates; status; status dates; scheduled completion dates; the apprentice's name, social security number, gender, and ethnicity; and the committee's name and apprenticeable occupation. Staff in the division's headquarters and district offices input the data in its database using information provided by the committees.

We assessed the reliability of the data, using criteria from the federal Government Accountability Office's *Assessing the Reliability of Computer-Processed Data* or "Gray Book." Specifically, we interviewed the division's information technology and program staff, performed electronic testing on relevant fields in its database, and selected a random sample of apprentices and verified their information with relevant documentation. We found that the data were not sufficiently reliable for the purposes of determining the

apprentices' current status in apprenticeship programs. See the Audit Results section of this report for our finding related to this issue. Tables A.2 through A.5 are dependent on this unreliable information. We present this information to show that the division could use its data to measure the success of programs if it were better maintained.

We based our tables on apprenticeship agreements indicating that the apprentices were active at some point during calendar years 2001 through 2005. The division's data contained records on 174,000 such agreements. However, we determined that 4,300 records were erroneous because they showed an "active" status at December 31, 2005 even though the apprentices were expected to complete their apprenticeships by December 31, 2001. We tested a sample of 29 of these records and found all but two of the apprentices to be inactive. As a result, we removed these 4,300 records and used the remaining roughly 170,000 records to generate the tables in this appendix.

We categorized the data according to industry and, in some cases, occupation. The categories presented in the tables include at least 1 percent of the active apprentices in our audit period. Consequently, the tables include the following industries: construction; manufacturing; public administration; services; and transportation, communications, electric, gas, and sanitary services. We placed the remaining industries into a category named "other industries," which includes agriculture, forestry and fishing, finance, insurance and real estate, mining, and retail trade. For some industries, especially construction, we used occupation information in the database to further break down the information. This resulted in 23 categories in each of our five tables.

Finally, for the tables that include minority information, we considered all ethnicities that were not Caucasian to be minorities.

The following is a list of the tables that make up the remainder of this appendix:

Table A.1—Female and Minority Apprentices Initiated by Trade, 2001 Through 2005

This table provides the total number of apprenticeships initiated in each of the calendar years 2001 through 2005 and includes the proportion of those that were female and those that were minority. According to the data, 120,500 apprenticeships were initiated during the calendar years 2001 through 2005.

Table A.2—Apprentices Active Between January 2001 and December 2005

This table provides information on the status as of December 31, 2005, of all apprentices who were active at some point between January 1, 2001, and December 31, 2005. The table separates apprentice agreements with an active status into two categories—active on track and active late. Active on track apprentices have active agreements with an estimated completion date of December 31, 2005, or later. Conversely, active late apprentices are those who have active agreements with estimated completion dates that have already passed. As previously mentioned, the division's database current status field is not sufficiently reliable.

Table A.3—Apprenticeships Completed by Year, 2001 Through 2005

This table provides the total number of apprentices who completed their apprenticeship programs by calendar year. As previously mentioned, the division's database current status field is not sufficiently reliable.

Table A.4—Completion Rates for Apprentices Active Between January 1, 2001, and December 31, 2005, Who Were Expected to Complete by December 31, 2005

Using the universe of apprentices whose estimated dates of completion fell prior to December 31, 2005, we calculated the proportion whose status reflects program completion. As previously mentioned, the division's database current status field is not sufficiently reliable.

Table A.5—Breakdown of Completions by Time Required to Complete, January 1, 2001, Through December 31, 2005

This table breaks down the timeliness of the apprentices who completed their programs by showing whether the program was completed before or after their scheduled completion dates. As previously mentioned, the division's database current status field is not sufficiently reliable.

TABLE A.1

Female and Minority Apprentices Initiated by Trade, 2001 Through 2005

Entering Apprentices by Trade	2001	2002	2003	2004	2005	Five-Year Totals
Construction—carpentry						
All entering apprentices	**3,911**	**3,624**	**4,440**	**5,526**	**5,737**	**23,238**
Percentage—female	18.2%	4.9%	4.6%	3.4%	3.1%	6.3%
Percentage—minority	64.9	65.3	68.9	69.0	69.7	67.9
Construction—carpet, linoleum, and soft tile						
All entering apprentices	**180**	**246**	**243**	**337**	**302**	**1,308**
Percentage—female	1.7	0.8	0.4	0.3	0.3	0.6
Percentage—minority	68.3	73.6	76.1	68.8	69.5	71.2
Construction—cement masons						
All entering apprentices	**384**	**321**	**394**	**494**	**637**	**2,230**
Percentage—female	3.1	1.9	1.5	0.4	0.8	1.4
Percentage—minority	87.0	87.5	85.5	83.2	87.3	86.1
Construction—drywall/lathing						
All entering apprentices	**1,609**	**1,528**	**2,022**	**2,498**	**2,582**	**10,239**
Percentage—female	1.1	1.3	0.7	1.0	1.2	1.1
Percentage—minority	70.4	71.1	71.7	73.7	78.3	73.6
Construction—electrical and electronic						
All entering apprentices	**2,330**	**1,571**	**1,522**	**2,830**	**2,183**	**10,436**
Percentage—female	2.9	3.1	3.5	3.1	2.3	3.0
Percentage—minority	41.8	40.2	43.8	49.2	47.2	45.0
Construction—engineering						
All entering apprentices	**414**	**431**	**392**	**558**	**670**	**2,465**
Percentage—female	7.0	5.8	6.1	3.8	6.4	5.8
Percentage—minority	42.3	37.4	37.2	31.2	34.8	36.1
Construction—heating, ventilation, and air conditioning						
All entering apprentices	**368**	**314**	**249**	**253**	**293**	**1,477**
Percentage—female	1.1	1.0	0.4	0.4	1.0	0.8
Percentage—minority	35.6	37.3	30.1	43.5	41.0	37.4
Construction—iron and steel work						
All entering apprentices	**1,321**	**665**	**922**	**1,000**	**1,226**	**5,134**
Percentage—female	1.8	0.9	1.8	1.9	1.3	1.6
Percentage—minority	61.5	51.9	58.6	63.2	63.1	60.5
Construction—labor						
All entering apprentices	**335**	**599**	**853**	**1,486**	**1,742**	**5,015**
Percentage—female	7.2	2.5	3.8	3.3	3.2	3.5
Percentage—minority	86.3	79.8	81.7	81.6	82.7	82.1
Construction—painting and decoration						
All entering apprentices	**1,095**	**1,023**	**949**	**1,175**	**1,175**	**5,417**
Percentage—female	3.5	2.6	4.3	3.1	3.5	3.4
Percentage—minority	75.3	77.7	77.1	77.1	81.5	77.8
Construction—plumbing						
All entering apprentices	**1,173**	**1,186**	**1,147**	**1,453**	**1,553**	**6,512**
Percentage—female	2.1	2.0	1.7	1.0	1.7	1.7
Percentage—minority	46.4	50.1	51.9	50.8	51.1	50.1
Construction—roofing						
All entering apprentices	**1,601**	**1,624**	**1,644**	**1,496**	**1,924**	**8,289**
Percentage—female	4.2	1.6	1.2	0.7	0.4	1.6
Percentage—minority	91.8	93.6	91.1	94.1	93.3	92.8

Entering Apprentices by Trade	2001	2002	2003	2004	2005	Five-Year Totals
Construction—sheet metal						
All entering apprentices	**503**	**370**	**465**	**478**	**527**	**2,343**
Percentage—female	1.2%	1.9%	2.4%	1.3%	1.3%	1.6%
Percentage—minority	39.6	43.0	45.6	52.3	52.0	46.7
Construction—tile laying/setting						
All entering apprentices	**676**	**514**	**723**	**838**	**708**	**3,459**
Percentage—female	2.7	1.6	0.8	1.0	0.8	1.3
Percentage—minority	67.3	59.5	66.3	68.7	70.5	66.9
Construction—other						
All entering apprentices	**1,227**	**1,410**	**1,372**	**1,049**	**1,432**	**6,490**
Percentage—female	2.8	3.0	1.4	1.6	1.5	2.1
Percentage—minority	56.2	44.4	37.6	55.3	48.0	47.7
Manufacturing						
All entering apprentices	**244**	**171**	**117**	**137**	**169**	**838**
Percentage—female	1.6	2.3	3.4	2.2	0.6	1.9
Percentage—minority	76.2	64.3	65.8	66.4	59.8	67.4
Public administration—correctional officer-related						
All entering apprentices	**2,337**	**2,542**	**1,818**	**847**	**1,233**	**8,777**
Percentage—female	21.7	17.5	19.9	20.2	19.1	19.6
Percentage—minority	55.5	55.1	53.7	62.6	60.2	56.3
Public administration—firefighter-related						
All entering apprentices	**2,183**	**2,003**	**1,667**	**1,577**	**1,759**	**9,189**
Percentage—female	4.5	4.7	4.6	4.8	3.5	4.4
Percentage—minority	33.8	30.8	28.4	29.2	27.9	30.2
Public administration—other						
All entering apprentices	**251**	**143**	**118**	**129**	**227**	**868**
Percentage—female	9.6	9.1	9.3	24.0	16.7	13.5
Percentage—minority	42.6	34.3	27.1	42.6	67.0	45.5
Services—barbering and cosmetology						
All entering apprentices	**342**	**522**	**587**	**489**	**350**	**2,290**
Percentage—female	67.8	71.1	66.4	71.6	74.3	70.0
Percentage—minority	60.2	63.6	71.2	71.0	69.1	67.5
Services—other						
All entering apprentices	**422**	**314**	**298**	**290**	**326**	**1,650**
Percentage—female	22.3	17.8	28.2	32.1	33.7	26.5
Percentage—minority	58.3	52.9	56.7	59.0	61.3	57.7
Transportation, communications, electric, gas, sanitary services						
All entering apprentices	**342**	**370**	**489**	**491**	**639**	**2,331**
Percentage—female	3.8	3.2	1.8	3.1	2.3	2.7
Percentage—minority	35.7	33.2	34.8	42.2	42.9	38.4
Other industries						
All entering apprentices	**141**	**112**	**80**	**132**	**88**	**553**
Percentage—female	7.8	5.4	17.5	10.6	10.2	9.8
Percentage—minority	58.9	60.7	53.8	59.1	63.6	59.3
Grand totals						
All entering apprentices	**23,389**	**21,603**	**22,511**	**25,563**	**27,482**	**120,548**
Average percentage—female	8.8	6.7	6.3	4.8	4.5	6.1
Average percentage—minority	58.5	57.9	60.2	63.4	64.2	61.1

Source: California apprenticeship system database as maintained by the Division of Apprenticeship Standards of the Department of Industrial Relations.

TABLE A.2

Apprentices Active Between January 2001 and December 2005*

Apprentices by Trade	Status as of December 31, 2005								
	Completed	Active on Track	Total Completed/ on Track	Percentage Completed/ on Track	Active Late	Canceled	Total Late/ Canceled	Percentage Late/ Canceled	Totals
Construction—carpentry									
All apprentices	**3,334**	**9,686**	**13,020**	**45.0%**	**1,846**	**14,055**	**15,901**	**55.0%**	**28,921**
Females	85	265	350	19.7	176	1,253	1,429	80.3	**1,779**
Minority	2,131	6,774	8,905	46.2	1,308	9,049	10,357	53.8	**19,262**
Construction—carpet, linoleum, and soft tile									
All apprentices	**295**	**785**	**1,080**	**57.2**	**332**	**475**	**807**	**42.8**	**1,887**
Females	0	2	2	16.7	5	5	10	83.3	**12**
Minority	191	557	748	57.6	252	298	550	42.4	**1,298**
Construction—cement masons									
All apprentices	**381**	**733**	**1,114**	**40.1**	**155**	**1,509**	**1,664**	**59.9**	**2,778**
Females	11	5	16	28.6	6	34	40	71.4	**56**
Minority	342	641	983	41.0	141	1,273	1,414	59.0	**2,397**
Construction—drywall/lathing									
All apprentices	**1,446**	**3,989**	**5,435**	**42.9**	**1,031**	**6,209**	**7,240**	**57.1**	**12,675**
Females	11	36	47	33.3	11	83	94	66.7	**141**
Minority	946	3,019	3,965	43.4	795	4,370	5,165	56.6	**9,130**
Construction—electrical and electronic									
All apprentices	**4,753**	**6,248**	**11,001**	**63.0**	**621**	**5,835**	**6,456**	**37.0**	**17,457**
Females	136	159	295	53.2	28	232	260	46.8	**555**
Minority	1,938	2,840	4,778	62.0	283	2,646	2,929	38.0	**7,707**
Construction—engineering									
All apprentices	**1,088**	**1,460**	**2,548**	**70.2**	**270**	**810**	**1,080**	**29.8**	**3,628**
Females	70	75	145	62.8	21	65	86	37.2	**231**
Minority	408	510	918	68.5	109	314	423	31.5	**1,341**
Construction—heating, ventilation, and air conditioning									
All apprentices	**926**	**841**	**1,767**	**71.7**	**107**	**592**	**699**	**28.3**	**2,466**
Females	9	8	17	100.0	0	0	0	0.0	**17**
Minority	313	311	624	70.6	41	219	260	29.4	**884**
Construction—iron and steel work									
All apprentices	**1,692**	**2,016**	**3,708**	**51.4**	**576**	**2,928**	**3,504**	**48.6**	**7,212**
Females	18	32	50	42.4	8	60	68	57.6	**118**
Minority	923	1,300	2,223	52.3	372	1,652	2,024	47.7	**4,247**
Construction—labor									
All apprentices	**566**	**2,169**	**2,735**	**53.3**	**634**	**1,766**	**2,400**	**46.7**	**5,135**
Females	17	67	84	45.2	26	76	102	54.8	**186**
Minority	492	1,801	2,293	54.6	525	1,384	1,909	45.4	**4,202**
Construction—painting and decoration									
All apprentices	**1,021**	**1,656**	**2,677**	**37.3**	**497**	**4,011**	**4,508**	**62.7**	**7,185**
Females	21	61	82	32.7	31	138	169	67.3	**251**
Minority	772	1,319	2,091	38.3	383	2,989	3,372	61.7	**5,463**
Construction—plumbing									
All apprentices	**2,058**	**4,332**	**6,390**	**62.8**	**949**	**2,841**	**3,790**	**37.2**	**10,180**
Females	46	70	116	54.5	16	81	97	45.5	**213**
Minority	794	2,128	2,922	60.9	408	1,468	1,876	39.1	**4,798**
Construction—roofing									
All apprentices	**545**	**3,971**	**4,516**	**44.1**	**1,088**	**4,639**	**5,727**	**55.9**	**10,243**
Females	4	36	40	25.5	9	108	117	74.5	**157**
Minority	501	3,711	4,212	44.8	994	4,204	5,198	55.2	**9,410**

Apprentices by Trade	Status as of December 31, 2005								
	Completed	Active on Track	Total Completed/ on Track	Percentage Completed/ on Track	Active Late	Canceled	Total Late/ Canceled	Percentage Late/ Canceled	Totals
Construction—sheet metal									
All apprentices	**1,438**	**1,648**	**3,086**	**73.2%**	**221**	**911**	**1,132**	**26.8%**	**4,218**
Females	26	18	44	57.1	7	26	33	42.9	**77**
Minority	647	837	1,484	77.4	101	333	434	22.6	**1,918**
Construction—tile laying/setting									
All apprentices	**595**	**863**	**1,458**	**33.4**	**406**	**2,499**	**2,905**	**66.6**	**4,363**
Females	5	9	14	23.3	5	41	46	76.7	**60**
Minority	408	588	996	34.9	279	1,576	1,855	65.1	**2,851**
Construction—other									
All apprentices	**1,986**	**2,995**	**4,981**	**57.3**	**1,194**	**2,516**	**3,710**	**42.7**	**8,691**
Females	41	44	85	42.5	32	83	115	57.5	**200**
Minority	874	1,381	2,255	53.9	549	1,382	1,931	46.1	**4,186**
Manufacturing									
All apprentices	**579**	**371**	**950**	**52.0**	**218**	**660**	**878**	**48.0**	**1,828**
Females	7	6	13	22.4	8	37	45	77.6	**58**
Minority	346	237	583	52.9	130	390	520	47.1	**1,103**
Public administration—correctional officer-related									
All apprentices	**12,410**	**1,979**	**14,389**	**85.5**	**1,813**	**619**	**2,432**	**14.5**	**16,821**
Females	2,579	388	2,967	85.4	369	137	506	14.6	**3,473**
Minority	6,774	1,215	7,989	85.6	1,025	322	1,347	14.4	**9,336**
Public administration—firefighter-related									
All apprentices	**5,756**	**4,330**	**10,086**	**77.2**	**1,092**	**1,895**	**2,987**	**22.8**	**13,073**
Females	256	171	427	72.5	61	101	162	27.5	**589**
Minority	1,899	1,244	3,143	76.6	377	582	959	23.4	**4,102**
Public administration—other									
All apprentices	**530**	**367**	**897**	**61.3**	**224**	**342**	**566**	**38.7**	**1,463**
Females	64	67	131	87.3	10	9	19	12.7	**150**
Minority	205	200	405	57.6	107	191	298	42.4	**703**
Services—barbering and cosmetology									
All apprentices	**691**	**759**	**1,450**	**51.4**	**768**	**602**	**1,370**	**48.6**	**2,820**
Females	467	562	1,029	55.9	469	343	812	44.1	**1,841**
Minority	351	531	882	47.4	560	419	979	52.6	**1,861**
Services—other									
All apprentices	**973**	**787**	**1,760**	**65.9**	**426**	**486**	**912**	**34.1**	**2,672**
Females	168	159	327	62.2	134	65	199	37.8	**526**
Minority	517	459	976	67.2	254	222	476	32.8	**1,452**
Transportation, communications, electric, gas, sanitary services									
All apprentices	**1,061**	**1,180**	**2,241**	**74.5**	**115**	**654**	**769**	**25.5**	**3,010**
Females	36	27	63	70.0	2	25	27	30.0	**90**
Minority	393	449	842	69.2	60	314	374	30.8	**1,216**
Other industries									
All apprentices	**520**	**187**	**707**	**72.5**	**165**	**103**	**268**	**27.5**	**975**
Females	45	17	62	62.6	16	21	37	37.4	**99**
Minority	298	121	419	77.7	88	32	120	22.3	**539**
Grand totals and average percentages									
All apprentices	**44,644**	**53,352**	**97,996**	**57.7**	**14,748**	**56,957**	**71,705**	**42.3**	**169,701**
Females	4,122	2,284	6,406	58.9	1,450	3,023	4,473	41.1	**10,879**
Minority	22,463	32,173	54,636	55.0	9,141	35,629	44,770	45.0	**99,406**

Source: California apprenticeship system database as maintained by the Division of Apprenticeship Standards (division) of the Department of Industrial Relations.

* Because we found that the error rate of the status field in the division's database may be as high as 15 percent, we do not consider the information presented here to be reliable. The purpose of displaying it is to show how the division could use its current system to provide program performance information if it maintains accurate data.

TABLE A.3

Apprenticeships Completed by Year, 2001 Through 2005*

Apprentices by Trade	2001	2002	2003	2004	2005
Construction—carpentry					
All apprentices	**677**	**637**	**645**	**654**	**720**
Percentage—female	3.7%	3.0%	1.9%	2.0%	2.2%
Percentage—minority	57.2	58.2	69.0	66.4	68.6
Construction—carpet, linoleum, and soft tile					
All apprentices	**51**	**75**	**56**	**73**	**40**
Percentage—female	0.0	0.0	0.0	0.0	0.0
Percentage—minority	60.8	60.0	71.4	67.1	65.0
Construction—cement masons					
All apprentices	**78**	**93**	**81**	**91**	**38**
Percentage—female	3.8	3.2	2.5	3.3	0.0
Percentage—minority	96.2	86.0	93.8	84.6	89.5
Construction—drywall/lathing					
All apprentices	**203**	**196**	**245**	**375**	**425**
Percentage—female	0.5	2.0	0.8	0.5	0.5
Percentage—minority	57.6	59.2	61.6	70.7	69.6
Construction—electrical and electronic					
All apprentices	**737**	**851**	**878**	**1,144**	**1,141**
Percentage—female	4.1	2.7	2.6	2.7	2.5
Percentage—minority	38.4	42.0	36.7	42.7	42.7
Construction—engineering					
All apprentices	**261**	**227**	**188**	**214**	**198**
Percentage—female	6.5	7.0	9.0	6.1	3.5
Percentage—minority	32.6	38.8	42.6	37.9	37.4
Construction—heating, ventilation, and air conditioning					
All apprentices	**169**	**160**	**183**	**197**	**216**
Percentage—female	0.6	1.3	1.1	0.5	1.4
Percentage—minority	30.8	27.5	29.5	38.1	40.7
Construction—iron and steel work					
All apprentices	**339**	**399**	**377**	**364**	**213**
Percentage—female	1.5	1.3	1.1	0.8	0.5
Percentage—minority	44.8	52.6	54.4	62.1	61.0
Construction—labor					
All apprentices	**8**	**20**	**56**	**187**	**295**
Percentage—female	0.0	0.0	3.6	3.2	3.1
Percentage—minority	87.5	90.0	94.6	85.6	86.1
Construction—painting and decoration					
All apprentices	**216**	**206**	**177**	**188**	**234**
Percentage—female	3.2	3.4	1.7	1.1	0.9
Percentage—minority	66.7	73.3	78.0	80.9	79.9
Construction—plumbing					
All apprentices	**383**	**450**	**414**	**405**	**405**
Percentage—female	2.6	1.6	2.4	2.7	2.0
Percentage—minority	37.3	36.2	36.2	39.3	44.2
Construction—roofing					
All apprentices	**131**	**93**	**90**	**141**	**90**
Percentage—female	1.5	0.0	1.1	0.0	1.1
Percentage—minority	90.1	90.3	91.1	92.9	95.6

Apprentices by Trade	2001	2002	2003	2004	2005
Construction—sheet metal					
All apprentices	**240**	**289**	**255**	**289**	**365**
Percentage—female	2.5%	2.8%	1.2%	2.8%	0.3%
Percentage—minority	42.1	41.9	46.7	51.9	42.7
Construction—tile laying/setting					
All apprentices	**111**	**114**	**123**	**120**	**127**
Percentage—female	2.7	0.0	0.8	0.8	0.0
Percentage—minority	63.1	70.2	66.7	70.0	72.4
Construction—other					
All apprentices	**290**	**345**	**466**	**488**	**397**
Percentage—female	1.7	2.0	2.8	2.3	1.3
Percentage—minority	48.3	42.0	41.6	40.0	50.4
Manufacturing					
All apprentices	**194**	**100**	**79**	**119**	**87**
Percentage—female	1.5	1.0	1.3	0.8	1.1
Percentage—minority	52.6	66.0	65.8	68.1	51.7
Public administration—correctional officer-related					
All apprentices	**5,704**	**2,143**	**1,570**	**1,808**	**1,185**
Percentage—female	25.5	12.4	22.0	17.3	17.0
Percentage—minority	53.2	58.7	56.4	53.5	52.9
Public administration—firefighter-related					
All apprentices	**789**	**1,031**	**983**	**1,506**	**1,447**
Percentage—female	5.7	5.9	2.7	3.4	5.0
Percentage—minority	38.0	28.1	33.2	36.4	30.1
Public administration—other					
All apprentices	**72**	**120**	**115**	**88**	**134**
Percentage—female	2.8	10.0	16.5	17.0	11.9
Percentage—minority	47.2	40.0	37.4	27.3	41.8
Services—barbering and cosmetology					
All apprentices	**83**	**178**	**139**	**174**	**117**
Percentage—female	67.5	48.3	70.5	78.7	76.9
Percentage—minority	56.6	47.2	49.6	50.6	53.8
Services—other					
All apprentices	**191**	**208**	**179**	**185**	**208**
Percentage—female	7.3	16.8	11.2	13.0	36.1
Percentage—minority	45.0	49.5	56.4	55.1	59.6
Transportation, communications, electric, gas, sanitary services					
All apprentices	**107**	**219**	**185**	**225**	**325**
Percentage—female	2.8	4.1	3.2	4.4	2.5
Percentage—minority	51.4	48.9	28.1	30.2	34.2
Other industries					
All apprentices	**160**	**140**	**140**	**66**	**14**
Percentage—female	8.1	7.1	10.0	7.6	21.4
Percentage—minority	54.4	57.9	57.1	66.7	42.9
Grand totals and average percentages					
All apprentices	**11,194**	**8,294**	**7,624**	**9,101**	**8,421**
Percentage—female	15.2	7.0	8.2	7.3	6.5
Percentage—minority	50.5	49.6	49.8	51.1	50.5

Source: California apprenticeship system database as maintained by the Division of Apprenticeship Standards (division) of the Department of Industrial Relations.

* Because we found that the error rate of the status field in the division's database may be as high as 15 percent, we do not consider the information presented here to be reliable. The purpose of displaying it is to show how the division could use its current system to provide program performance information if it maintains accurate data.

TABLE A.4

Completion Rates for Apprentices Active Between January 1, 2001 and December 31, 2005, Who Were Expected to Complete by December 31, 2005*

Trade	Overall Completion Rate	Female Completion Rate	Minority Completion Rate
Construction—carpentry	18.3%	4.5%	18.3%
Construction—carpet, linoleum, and soft tile	24.9	0.0	25.4
Construction—cement masons	20.0	16.4	20.6
Construction—drywall/lathing	16.3	8.5	15.5
Construction—electrical and electronic	47.6	36.2	44.6
Construction—engineering	47.8	37.9	45.9
Construction—heating, ventilation, and air conditioning	59.5	80.0	57.7
Construction—iron and steel work	29.8	17.3	29.1
Construction—labor	23.1	16.5	24.7
Construction—painting and decoration	19.0	9.9	19.6
Construction—plumbing	36.3	35.3	33.1
Construction—roofing	5.7	1.4	5.8
Construction—sheet metal	51.8	37.9	55.3
Construction—tile laying/setting	17.5	9.1	18.7
Construction—other	32.8	25.0	29.1
Manufacturing	35.4	13.2	35.8
Public administration—correctional officer-related	77.3	74.4	77.3
Public administration—firefighter-related	64.5	59.7	64.4
Public administration—other	44.6	78.7	37.4
Services—barbering and cosmetology	32.3	35.4	25.3
Services—other	47.2	37.0	47.9
Transportation, communications, electric, gas, sanitary services	61.3	50.9	53.4
Other industries	67.9	65.7	69.2
Average percentages	**37.7%**	**39.9%**	**31.8%**

Source: California apprenticeship system database as maintained by the Division of Apprenticeship Standards (division) of the Department of Industrial Relations.

* Because we found that the error rate of the status field in the division's database may be as high as 15 percent, we do not consider the information presented here to be reliable. The purpose of displaying it is to show how the division could use its current system to provide program performance information if it maintains accurate data.

TABLE A.5

Breakdown of Completions by Time Required to Complete January 1, 2001 Through December 31, 2005*

Trade	Estimated Average Time to Complete (Years)	Percentage Completed on or Before Estimated Completion Date	Percentage Completed Within One Year After Estimated Completion Date	Percentage Completed One to Three Years After Estimated Completion Date	Percentage Completed Over Three Years After Estimated Completion Date
Construction—carpentry	2.9	29.2%	47.6%	20.2%	3.0%
Construction—carpet, linoleum, and soft tile	3.0	35.6	41.0	21.0	2.4
Construction—cement masons	2.5	46.2	45.9	7.3	0.5
Construction—drywall/lathing	2.7	18.8	43.8	32.2	5.2
Construction—electrical and electronic	4.1	57.1	36.3	5.6	1.0
Construction—engineers	3.3	32.9	47.8	17.7	1.6
Construction—heating, ventilation, and air conditioning	3.8	67.4	30.2	2.3	0.1
Construction—iron and steel work	2.7	27.2	61.3	10.5	0.9
Construction—labor	1.4	7.6	65.4	26.7	0.4
Construction—painting and decoration	2.6	46.2	39.4	12.6	1.8
Construction—plumbing	4.3	55.8	37.2	6.2	0.8
Construction—roofing	2.5	17.6	43.1	27.5	11.7
Construction—sheet metal	4.5	70.3	27.2	2.4	0.1
Construction—tile laying/setting	1.6	31.8	53.4	13.1	1.7
Construction—other	2.9	38.0	46.5	12.7	2.8
Manufacturing	3.3	65.1	27.1	4.5	3.3
Public administration—correctional officer-related	2.1	51.0	22.7	11.2	15.2
Public administration—firefighter-related	2.8	13.0	73.5	10.4	3.1
Public administration—other	2.6	66.8	20.2	4.3	8.7
Services—barbering and cosmetology	2.0	68.5	27.6	3.8	0.1
Services—other	3.1	59.9	31.9	3.0	5.2
Transportation, communications, electric, gas, sanitary services	2.6	63.8	27.4	8.8	0.0
Other industries	1.8	43.5	52.3	3.8	0.4
Grand totals	**2.8**	**42.9%**	**40.0%**	**11.2%**	**5.9%**

Source: California apprenticeship system database as maintained by the Division of Apprenticeship Standards (division) of the Department of Industrial Relations.

* Because we found that the error rate of the status field in the division's database may be as high as 15 percent, we do not consider the information presented here to be reliable. The purpose of displaying it is to show how the division could use its current system to provide program performance information if it maintains accurate data.

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Agency's Comments provided as text only.

Labor and Workforce Development Agency
801 K Street, Suite 2101
Sacramento, California 95814

August 25, 2006

Elaine M. Howle
State Auditor
Bureau of State Audits
555 Capital Mall, Suite 300
Sacramento, CA 95814

RE: Audit of Department of Industrial Relations: Division of Apprenticeship Standards
Draft Audit Report of August 21, 2006

Dear Ms. Howle:

Thank you for the opportunity to review and comment on the Bureau's audit of the Department of Industrial Relations' Division of Apprenticeship Standards.

We appreciate the extensive efforts your team made to identify opportunities for improvement within the Division of Apprenticeship Standards. As you know, Chief Rowan was appointed to lead the Division in January of this year and his assessment of the issues and priorities for the department is consistent with many of the recommendations made by the audit team. We also appreciate that you noted the Division's early recognition of many of the issues as well as their efforts to resolve them.

The Labor and Workforce Development Agency, the Department of Industrial Relations, and the Division of Apprenticeship Standards accepts and supports the recommendations included in the draft report of August 21st with the exception of some portions of those recommendations related to training contribution funds. (We will be happy to address concerns with those funding recommendations in our 60-day response to the audit.) We also note that the detail in the audit findings associated with apprenticeship recruitment and selection process as they relate to compliance with the Cal Plan requirements has caused the Division to reprioritize and refocus their efforts in this area. The Division will fully implement the recommendations as they are written.

Sincerely,

(Signed by Rick Rice)

RICK RICE
Undersecretary

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press